



**Ark<sup>®</sup>**

**Ark Commercial Investment Limited**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

For the Year Ended

31 March 2021

(Company Registration Number SC504423)

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## **OFFICERS AND PROFESSIONAL ADVISORS**

### **Directors**

Ken Brown – Chair  
Bobby Duffy  
Ian Logan

Neil McKnight  
Ronald Gordon Watson  
Lucy Robertson (appointed 09 December 2020)

### **External Auditor**

Chiene + Tait LLP  
Chartered Accountants and  
Statutory Auditor  
61 Dublin Street  
Edinburgh  
EH3 6NL

### **Bankers**

The Royal Bank of Scotland  
Corstorphine Branch  
239 St John's Road  
Edinburgh  
EH12 7XA

### **Registered Office**

The Priory  
Canaan Lane  
Edinburgh  
EH10 4SG

### **Solicitors**

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

### **Contact Details**

Website: [www.arkha.org.uk](http://www.arkha.org.uk)  
Email: [admin@arkha.org.uk](mailto:admin@arkha.org.uk)  
Phone: 0131 447 9027

## **DIRECTORS REPORT**

The directors present their report and the financial statements of the company for the year ended 31 March 2021.

### **Principal activities**

The principal activity of the company during the year was the letting of rooms for student accommodation and holiday lets.

### **Donation**

At the year end it was agreed to make a donation to the parent company of £30,667.

### **Directors' responsibility statement**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

### **Covid-19**

As lockdown restrictions commenced across the UK in March 2020, linked to the spread of Covid-19, local lockdown measures were swiftly implemented across our services, minimising the risk of exposure to the virus to our customers. Measures taken during the year to reduce this risk included:

- Significant and on-going purchasing of additional personal protective equipment (PPE);
- Ensuring our staff are aware of best practice, as this has developed;
- Shielding of vulnerable customers and staff;
- Implementation of a business critical action plan, where key activities for the continued delivery of the business are monitored for effectiveness;

## **DIRECTORS REPORT (continued)**

- An organisational risk assessment has been developed and kept under constant review by Ark's Health and Safety Adviser and the Executive Team;
- A substantive new risk in response to Covid-19 has been developed and added to the Strategic Risk Register, monitored by the Executive Team.

All staff providing services to Ark Commercial Investment Limited are able to work remotely, with back-office services continuing to be delivered to a high standard.

The majority of our income is derived from student accommodation. The impact of the pandemic has led to reduced demand, with occupancy levels decreasing as a result. The cancellation of the 2020 Edinburgh Festival also resulted in the loss of holiday let income during the summer period.

This increase in financial risk is monitored through monthly management accounts and quarterly forecast updates. Reflecting this increased risk, during the year the Directors of Ark Housing Association and Ark Commercial Investment Limited agreed to a two year rent and management fee reduction, applicable to the 2020/21 and 2021/22 financial years, with any excess surplus gift aided to Ark Housing Association.

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Small company provisions**

The Directors have prepared this report in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

By order of the Directors

Ken Brown (Director)  
26 August 2021

The Priory  
Canaan Lane  
Edinburgh  
EH10 4SG

## INDEPENDENT AUDITOR'S REPORT

### Opinion

We have audited the financial statements of Ark Commercial Investment Limited for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

## **INDEPENDENT AUDITORS REPORT (continued)**

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; and
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

## **INDEPENDENT AUDITORS REPORT (continued)**

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company's financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of the directors;
- review of minutes of board meetings throughout the period;
- review of legal correspondence or invoices, and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jeremy Chittleburgh BSc CA (Senior Statutory Auditor)  
For and on behalf of Chiene + Tait LLP, Statutory Auditor  
61 Dublin Street  
Edinburgh  
EH3 6NL

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021**

	<i>Notes</i>	<b>2021</b> £	<b>2020</b> £
<b>Turnover</b>		59,189	116,462
Cost of sales		(7,336)	(73,443)
<b>Gross profit</b>		51,853	43,019
Administrative expenses		(21,186)	(34,647)
<b>Operating profit</b>		30,667	8,372
Interest receivable		-	-
		30,667	8,372
Tax on profit on ordinary activities	5	-	-
<b>Profit for the financial year and total comprehensive income</b>		<b>30,667</b>	<b>8,372</b>

All amounts relate to continuing operations.

The notes on pages 10 to 13 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021**

	<i>Notes</i>	<b>2021</b>	<b>2020</b>
		£	£
<b>Current assets</b>			
Debtors	6	3,359	2,068
Cast at bank		31,146	9,324
		<u>34,505</u>	<u>11,392</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>(34,505)</u>	<u>(11,392)</u>
<b>Net current assets/(liabilities)</b>		-	-
<b>Total assets less current liabilities</b>		<u>-</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up equity share capital	8	1	1
Profit and loss account		<u>(1)</u>	<u>(1)</u>
Shareholder's funds		<u>-</u>	<u>-</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act relating small companies.

These financial statements were approved and authorised for issue by the directors on the 26 August 2021 and are signed on their behalf by:

Ken Brown (Director)

The notes on pages 10 to 13 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021**

	<b>Share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
Balance at 1 April 2019	1	(1)	-
Profit for the year	-	8,372	8,372
Other comprehensive income for the year:			
Distributions – gift aid	-	(8,372)	(8,372)
<b>Balance at 1 April 2020</b>	<u>1</u>	<u>(1)</u>	<u>-</u>
Profit for the year	-	30,667	30,667
Other comprehensive income for the year:			
Distributions – gift aid	-	(30,667)	(30,667)
<b>Balance at 31 March 2021</b>	<u>1</u>	<u>(1)</u>	<u>-</u>

The notes on pages 10 to 13 form part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

### **1. Legal status**

Ark Commercial Investment Limited is incorporated and domiciled in Scotland with registered company number SC504423. The registered office is The Priory, Canaan Lane, Edinburgh, EH10 4SG. The principal activity of the Company is the provision of student and holiday accommodation for let and associated management services.

### **2. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

#### **Basis of preparation**

The financial statements have been prepared in accordance the provisions of Financial Reporting Standard 102, Section 1A, applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

#### **Going concern**

The financial statements have been prepared on a going concern basis. The current economic conditions present increased risks for all businesses. In response to such conditions, the directors have carefully considered these risks, including an assessment of the uncertainty on future operations for a period of at least 12 months from the date of signing the financial statements, and the extent to which they might affect the preparation of the financial statements on a going concern basis. Based on this assessment, the directors consider that the Company maintains an appropriate level of liquidity, sufficient to meet the demands of the business. Thus they continue to adopt the going concern basis of accounting in preparing these financial statements.

#### **Revenue recognition**

Turnover is measured at the fair value of the consideration received or receivable and represents rental income received inclusive of VAT and other related taxes, and is recognised on a time-apportioned basis.

#### **Taxation**

Taxation expense for the year comprises current and deferred tax recognised in the reporting year, and is charged in the Statement of Comprehensive Income. Deferred tax is provided on the liability method to take account of timing differences between the treatment for certain items for accounts purposes and the treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

#### **Debtors**

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any discounts due.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021  
(continued)**

**2. Accounting policies (continued)**

**Cash at bank and in hand**

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

**Creditors**

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

**Financial instruments**

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

**3. Auditors remuneration**

	<b>2021</b>	<b>2020</b>
	£	£
Audit fee	930	900

**4. Employees**

The average number of employees during the period was £nil (2020: £nil). Key management personnel are employed by Ark Housing Association and perform an executive management role across all Ark subsidiaries.

**5. Taxation on ordinary activities**

**Major components of tax expense:**

	<b>2021</b>	<b>2020</b>
	£	£
<b>Current tax:</b>		
UK current tax expense	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
<b>Taxation on ordinary activities</b>	-	-

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021  
(continued)**

**6. Debtors**

	<b>2021</b>	<b>2020</b>
	£	£
Rent arrears	1,390	695
Bad debt provision	(1,390)	-
	-	695
Other debtors	3,359	1,373
	3,359	2,068

**7. Creditors: amounts falling due within one year**

	<b>2021</b>	<b>2020</b>
	£	£
Amounts due to parent undertaking	31,927	9,767
Accruals	2,578	1,625
	34,505	11,392
	34,505	11,392

**8. Called up share capital**

	<b>2021</b>	<b>2021</b>
	No.	£
<b>Authorised share capital:</b>		
Ordinary shares of £1 each	1	1
	1	1
<b>Issued called up and fully paid:</b>		
Ordinary shares of £1 each	1	1
	1	1

**9. Reserves**

Profit and loss account – includes all current and prior period retained profits and losses.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021  
(continued)**

**10. Commitments**

**Operating leases**

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

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Equipment</b>		
In one year or less	5,610	5,610
In two to five years	679	6,289
	6,289	11,899
	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Land and buildings</b>		
In less than one year	-	56,140
In more than one year	785,960	842,100
	785,960	898,240

**11. Related party transactions**

Ark Housing Association Limited provides professional and administrative support to Ark Commercial Investment Limited for which there was a charge of £nil (2020: £10,609) made during the year. There were also charges of £nil (2020: £59,151) for property rental. At 31 March 2021 there was a total balance of £31,927 (2020: £9,767) owed to Ark Housing Association Ltd, which includes a donation of £30,667.

**12. Ultimate parent undertaking**

Ark Commercial Investment Limited is a wholly managed subsidiary of Ark Housing Association Limited, a registered social landlord in Scotland. Consolidated group financial statements are available from Ark Housing Association Limited, The Priory, Canaan Lane, Edinburgh, EH10 4SG.