

**ATRIUM HOMES**  
**REPORT AND FINANCIAL STATEMENTS**  
**for the year ended**  
**31 March 2010**

Recognised Scottish Charity No: SCO28506

Registered Social Landlord No: CON 305

Company Limited By Guarantee: SC190351

# ATRIUM HOMES

## REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2010

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**BOARD OF DIRECTORS, EXECUTIVES AND ADVISERS**  
**For the year ended 31 March 2010**

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**Board of Directors who served during the year**

Mr K Stewart (Chairman)  
Mr B Allen  
Mrs M. Coyle  
Mr J Currie  
Mr M Donnelly  
Mr M Griffiths  
Mr D McColl  
Ms J. McIntosh  
Mr R McLachlan  
Mr J Nisbet (deceased 3<sup>rd</sup> October 2009)  
Mr J. O'Neill  
Mrs D Parry (resigned 1<sup>st</sup> March 2010)  
Mr G Piggott

**Members**

A full list of members is available at the Registered Office of the company.

**Executive Officers**

Stephen Black	Chief Executive and Company Secretary
Joyce McCroskie	Head of Operations
Celia Reilly	Head of Investment
Ken Tudhope	Head of Finance

**External Auditors**

Findlay and Company  
Chartered Accountants  
11 Dudhope Terrace  
DUNDEE  
DD3 6TS

**Internal Auditors**

Alexander Sloan  
144 West George Street  
GLASGOW  
G2 2HG

**Corporate Solicitors**

TC Young  
30 George Square  
GLASGOW  
G2 1LH

**Management Solicitors**

James Guthrie and Company  
3 Portland Road  
KILMARNOCK  
KA1 2AN

**Lenders**

The Royal Bank of Scotland  
Kirkstane House  
139 St Vincent Street  
GLASGOW  
G2 5JF

**Lenders**

DBS Bridge Bank Limited  
Caledonia House  
Carnegie Avenue  
DUNFERMLINE  
KY11 8PJ

**Bankers**

Clydesdale Bank plc  
30 The Foregate  
KILMARNOCK  
KA1 1JH

**Registered Office**

39/41 John Finnie Street  
KILMARNOCK  
KA1 1BL

**REPORT OF THE BOARD  
For the year ended 31 March 2010**

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The Board presents its Report and audited Financial Statements for the year ended 31st March 2010.

**PRINCIPAL ACTIVITIES**

Atrium Homes is a company limited by guarantee established under the provisions of the Companies Act 2006. The organisation has been recognised by the HM Revenue & Customs as a Scottish Charity.

The principal activity of Atrium Homes is the provision of quality rented accommodation.

**REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

Progress this year has continued satisfactorily. Atrium's strategy for growth and regeneration in our estates continued to be implemented with construction commencing on further new-build developments in and around Kilmarnock, financed with the continuing support of the Scottish Government and RBS, and major investment in improvement works to existing properties including a substantial amount of re-roofing.

Our subsidiary company, Atrium Initiatives Ltd. continues to provide factoring and landscape maintenance services to over 1,200 householders in our estates in and around Kilmarnock.

We continued to successfully manage our core activities and remain committed to improving the condition of all our properties which is fully reflected in our long term financial projections.

One of our board members, John Nisbet, died suddenly during the year. John had served on our Board since September 2001 as a community member through his chairmanship of the Lainshaw Residents' Association, a position he held for nearly 20 years, and the Board wishes to express its appreciation for the work he did for Atrium Homes over the last 8 years.

**FINANCIAL REVIEW**

The Company made a surplus for the year of £226,365 (2009 - surplus £600,180) and had net assets of £7,889,609 (2009 - £6,293,215).

**INVESTMENT POLICY**

As a debt-funded organisation Atrium's treasury policy is to maintain sufficient cash balances to meet operational needs without incurring unnecessary levels of borrowing.

**RESERVES POLICY**

The Company's business plan allowed for losses in the early years of its existence to carry out planned maintenance work to improve the condition of its housing stock, the majority of which to date has been charged to revenue and not capitalised. As a result historic revenue reserves are negative. The Board's policy in future is to improve the level of revenue reserves once the organisation is able to record consistent surpluses.

**CHARITABLE DONATIONS**

During the year Atrium made charitable donations totalling £4,000 to the Renal and Neo-natal units at Crosshouse Hospital, the result of our fundraising activities in our 10<sup>th</sup> anniversary year. We continued to provide financial and practical support for various community development activities in our estates.

**THE BOARD AND EXECUTIVE OFFICERS**

The Board members and Executive Officers of Atrium are listed on page 1.

**REPORT OF THE BOARD (continued)  
For the year ended 31 March 2010**

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**THE BOARD AND EXECUTIVE OFFICERS (continued)**

The Board of Atrium Homes has delegated certain powers to four sub-committees comprising Chair & Convenors, Development & Regeneration, Housing Services and Corporate Services. To date only Board members sit on these sub-committees.

The liability of the members of the organisation is limited under its Memorandum of Association to a sum not exceeding £1 each.

**STATEMENT OF BOARD RESPONSIBILITIES**

Company law requires the Board to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the organisation and of the income and expenditure of Atrium for that period. In preparing those Financial Statements, the Board is required to:

- (1) select suitable accounting policies and then apply them consistently;
- (2) make judgements and estimates that are reasonable and prudent and;
- (3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- (4) prepare Financial Statements on the going concern basis unless it is inappropriate to presume that the organisation will continue in business

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the organisation and to enable them to ensure that the Financial Statements comply with the Companies Act 2006, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice: Accounting by Registered Social Landlords 2008. They are also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board confirms that the Financial Statements comply with the above requirements.

In so far as the directors are aware:

- (1) there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- (2) the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**RELATED PARTY TRANSACTIONS**

One Board member who served during the year is also a tenant – Mr R McLachlan. His tenancy is on Atrium's normal tenancy terms and he cannot use his position to his advantage.

**INTERNAL FINANCIAL CONTROL**

The Board exercises overall responsibility for Atrium's system of internal financial control and the Corporate Services Sub Committee, on behalf of the Board, is responsible for its effectiveness. This system, like any other, can only provide reasonable, but not absolute, assurance against material mis-statement or loss. Under the organisation's operational structure, the key elements relating to Atrium's system are listed below –

- The personal responsibility and accountability of the Board is recognised.
- Policies and procedures are in place, including the documentation of systems and rules relating to the delegation of authorities, which allow controls to be monitored and restrict the unauthorised use of the organisation's assets.

**REPORT OF THE BOARD (continued)  
For the year ended 31 March 2010**

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**STATEMENT OF BOARD RESPONSIBILITIES (continued)**

**INTERNAL FINANCIAL CONTROL (continued)**

- Atrium's performance is monitored by Board on a regular basis. To achieve this, the Board receives budget forecasts, management accounts and treasury management reports. These reports include detailed analysis of significant variances against budget and the measures to be taken to address them. The organisation also has in place a framework of policies and procedures to ensure the effective management of its activities and the minimisation of risk.
- External Auditors report on any weaknesses in internal financial control identified during the course of their audits. These reports, together with the replies from management and details of measures taken as a consequence, are reviewed by the Corporate Services Sub Committee and Board.
- The Board has appointed Internal Auditors to undertake a rolling programme of internal audit work. The Internal Auditors report on any weaknesses within the system of internal controls to the Corporate Services Sub Committee and Board.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the organisation for the year ended 31 March 2010 and to the date of this report. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the Financial Statements or in the Auditors Report on the Financial Statements. The implementation of a programme of internal audit has further strengthened and improved internal controls.

**AUDITORS**

A resolution to re-appoint Findlay and Company, Chartered Accountants, will be proposed at the Annual General Meeting.

**BY ORDER OF THE BOARD**



S Black  
Company Secretary

29th June 2010

**REPORT BY THE AUDITORS TO THE BOARD OF  
ATRIUM HOMES  
ON CORPORATE GOVERNANCE MATTERS**

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In addition to our audit of the Financial Statements, we have reviewed your statement on Page 3 and 4 concerning the Organisation's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 1999/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Organisation'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 3 and 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board and Officers of the Organisation, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Organisation's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



**FINDLAY & COMPANY,**  
Chartered Accountants and Statutory Auditors  
11 Dudhope Terrace,  
Dundee  
DD3 6TS

29th June 2010

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATRIUM HOMES

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We have audited the Financial Statements of Atrium Homes for the year ended 31 March 2010 on pages 7 to 25. These Financial Statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the organisations members, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the organisations' members those matters we are required to state to them in an auditors' 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 organisations' members as a body, for our audit work, for this report or for the opinions we have formed.

### Respective Responsibilities of the Board and Auditors

As described in the Statement of Board responsibilities, the Board is responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Companies Act 2006, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice: Accounting by Registered Social Landlords 2008. We also report to you if, in our opinion, the Board's Report is not consistent with the Financial Statements, if the organisation has not kept proper accounting records, if we have not received all the information and the explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the organisation is not disclosed.

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

### Basis of Opinion

We conducted our audit in accordance with 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 Board in the preparation of the Financial Statements, of whether the accounting policies are appropriate to Atrium'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 misstatement, whether caused by 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 of Atrium's affairs at 31 March 2010 and of its income and expenditure and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 2006, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and Statement of Recommended Practice: Accounting by Registered Social Landlords 2008. In our opinion the information given in the directors' report is consistent with the financial statements for the year ended 31<sup>st</sup> March 2010.

### FINDLAY AND COMPANY

Chartered Accountants and Statutory Auditors  
11 Dudhope Terrace,  
Dundee  
DD3 6TS

29th June 2010



**INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2010**

	Notes	2010 £	2009 £
Turnover	2	3,777,873	5,269,283
Operating Costs	2	<u>2,935,459</u>	<u>4,116,983</u>
<b>Operating Surplus</b>		842,414	1,152,300
Gain on sale of Stock	22	14,863	47,480
Interest Receivable	7	10,464	13,381
Interest Payable	8	<u>(632,963)</u>	<u>(612,981)</u>
<b>Surplus for the year</b>		<u>234,778</u>	<u>600,180</u>

**STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS**

		2010 £	2009 £
Surplus for the year		234,778	600,180
Unrealised movement on revaluation of properties	16	<u>1,370,029</u>	<u>(697,744)</u>
Total recognised gains/(losses) for the year		1,604,807	(97,564)
Total gains and losses recognised since last annual report		<u>1,604,807</u>	<u>(97,564)</u>

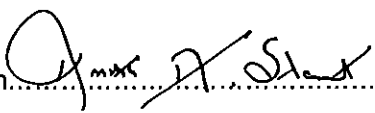
**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**

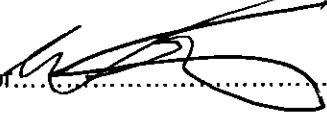
		2010 £	2009 £
Surplus for the year		234,778	600,180
Historical cost increase in gain on sale of housing accommodation		33,180	44,310
Historical cost depreciation charge		<u>(228,136)</u>	<u>(136,951)</u>
Historical cost surplus for the year		<u>39,822</u>	<u>507,539</u>


**BALANCE SHEET as at 31 March 2010**

	Notes	£	2010 £	£	2009 £
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties at Valuation	11 a)		20,590,000		18,497,000
Housing Properties – cost less depreciation	11 a)	6,343,934		3,240,988	
Less: Social Housing Grant		(5,001,462)		(2,593,565)	
Other Grants		(49,148)		(44,830)	
			<u>1,293,324</u>		<u>602,593</u>
			<u>21,883,324</u>		<u>19,099,593</u>
Other Fixed Assets	11 b)		66,397		32,546
Investment in Subsidiary	12		100		100
			<u>21,949,821</u>		<u>19,132,239</u>
<b>CURRENT ASSETS</b>					
Work in progress	1	-		660,100	
Debtors	13	403,964		336,435	
Cash at bank and in hand		2,045,448		1,224,481	
		<u>2,449,412</u>		<u>2,221,016</u>	
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>(805,785)</u>		<u>(1,139,218)</u>	
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>			<u>1,643,627</u>		<u>1,081,798</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>23,593,448</u>		<u>20,214,037</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15		<u>(15,695,426)</u>		<u>(13,920,822)</u>
<b>NET ASSETS</b>			<u>7,898,022</u>		<u>6,293,215</u>
<b>CAPITAL AND RESERVES</b>					
Designated Reserves	16		201,977		201,977
Revenue Reserve	16		(260,735)		(528,693)
Revaluation Reserve	16		7,956,780		6,619,931
			<u>7,898,022</u>		<u>6,293,215</u>

The financial statements on pages 7 to 25 were approved by the Board on 29th June 2010 and signed on its behalf by –

Chairman.....

Director.....

Secretary.....

**CASHFLOW STATEMENT**  
for the year ended 31 March 2010

	Notes	2010	2009
		£	£
<b>Net Cash Inflow from Operating Activities</b>	17 a)	1,093,490	1,227,564
<b>Returns on Investments and Servicing of Finance</b>			
Interest Received		10,464	13,381
Interest Paid		(619,364)	(636,306)
<b>Net Cash (Outflow) from Returns on Investments and Servicing of Income</b>		(608,900)	(622,925)
<b>Capital Expenditure</b>			
Payments for the Purchase and Development of Property		(5,267,498)	(5,307,463)
Payments to acquire other Fixed Assets		(61,823)	(4,479)
Capital Grants Received		3,792,838	2,848,758
Sales of Housing Accommodation		75,820	128,826
<b>Net Cash (Outflow) from Capital Expenditure</b>		(1,460,663)	(2,334,358)
<b>Net Cash Outflow) before the use of Liquid Resources and Financing</b>		(976,073)	(1,729,719)
<b>Financing</b>			
Loan Advances Received		1,797,040	2,875,406
<b>Increase in Cash</b>	17 c)	820,967	1,145,687

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 March 2010**

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**1 PRINCIPAL ACCOUNTING POLICIES**

The Financial Statements have been prepared on the historical cost basis in accordance with the requirements of the Statement of Recommended Practice: Accounting by Registered Social Landlords 2008 and applicable accounting standards, and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**Consolidation Exemption**

The directors have taken advantage of the exemption under Section 398 of the Companies Act 2006 of the necessity to prepare consolidated financial statements of the group

**Housing Properties**

The company obtains annual valuations on its properties on the Existing Use for Social Housing basis and state Housing Properties held for letting at this valuation. Consequently it is felt that a depreciation charge is neither required nor appropriate in accordance with Financial Reporting Standard no.15. The properties are subject to ongoing planned maintenance programme and there is unlikely to be economic obsolescence. No specific impairment reviews are carried out due to the regular inspection of properties throughout the year in addition to the annual valuation. Statement of Recommended Practice: Accounting by Registered Social Landlords 2008 states that the surplus on revaluation is to be the difference between the revalued amount and the previous carrying value net of grants.

Land and Properties under construction are stated at cost, which include capitalised attributable development administration costs in excess of allowances.

**Other Fixed Assets**

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic lives of the assets at the following annual rates:

Office premises	14%
Furniture and Fittings	10% to 20%
Office Equipment	20% to 33.33%
Computer Equipment	20% to 50%

**Investments**

Fixed Asset Investments are held at cost less any permanent diminution in value.

**Social Housing Grant and Other Grants**

Grants received in respect of revenue expenditure are credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Grants received in respect of capital expenditure are credited to the Balance Sheet in the same period as the expenditure to which it relates.

**Cyclical and Major Repairs**

The costs of cyclical and major repairs are charged to the Income and Expenditure Account in the year in which they are incurred unless the item is deemed to be of a capital nature.

**Designated Reserves**

The organisation has designated part of its reserves to meet its long terms obligations. Transfers are at the discretion of the Board; further transfers will be considered in the future once revenue reserves become positive. Designated reserves for major repairs reflect Atrium's liability to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. Provision is made for such repair expenditure and the actual cost of repairs is charged to the Income and Expenditure account.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

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**1 PRINCIPAL ACCOUNTING POLICIES (continued)****Turnover**

Turnover is wholly attributable to rents, grants and other income receivable relating to the operation of housing accommodation.

**Work in Progress / Shared Equity Properties**

Grants are received from the Scottish Government for the construction of properties under the New Supply Shared Equity scheme. Whilst under construction the cost is recorded within current assets and corresponding grant shown in current liabilities. Once sales are made the grants and cost are released to the Income & Expenditure account.

The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 require that disposal of a shared equity property be treated as a fixed asset investment and that grants received treated as a deduction from that investment. The Board has decided to over-ride this in these financial statements as it considers that adopting such treatment would not reflect the substance of the transaction as the company has no remaining interest in the property – the remaining security in relation to all shared equity sales is in the name of the Scottish Ministers and not Atrium Homes.

The Board considers that to properly reflect the administration arrangement which relates to sales of new supply shared equity properties that the relevant proceeds, revenue grants and costs of sales should be reflected in the Income & Expenditure Account (included within note 4).

**Sale of Housing Properties**

Properties are disposed of under the appropriate legislation and guidance. Gains or losses on sale are accounted for using the valuation of the properties in accordance with Financial Reporting Standard no.15.

**Development Costs**

In accordance with Statement of Recommended Practice: Accounting by Registered Social Landlords 2008, directly attributable costs incurred in the development of housing properties in excess of allowances received are capitalised and classified as housing property costs. Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

**Retirement Benefits**

Atrium Homes participates in The Pensions Trust Defined Benefits Pension Scheme and retirement benefits to employees of the organisation are funded by the contributions from all participating employers and employees of the scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. Contributions to the scheme are charged to the Income and Expenditure account in the year in which they are due.

**Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure account on a straight line basis over the lease term.

**Going Concern**

As a debt funded organisation, Atrium anticipates operating with net liabilities during the early years of its existence as major repair and improvement works are carried out. This has been fully reflected in the original business plan and future cash flow projections which demonstrate that these deficits are short term and Atrium will make ongoing surpluses on completion of the major repair programme. At 31 March 2010 Atrium had an unused long term loan facility for major repair work of £1.5 million which can be drawn down at any time.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**Social Housing Grant and Other Grants in Advance/ Arrears**

Where property acquisitions and developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those acquisitions and developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet. A total of £3,792,838 (2009 - £4,681,273) was received and capitalised during the year.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates. A total of £154,997 (2009 - £1,208,212) was receivable in the year relating to New Supply Shared Equity property sales, medical adaptations and development allowances (included within note 4). Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Capital grants receivable are shown separately on the Balance Sheet in accordance with Statement of Recommended Practice: Accounting by Registered Social Landlords 2009. The Consultative Committee of Accountancy Bodies have received Counsel's opinion that paragraphs 17 & 26 of Schedule 4 to the Companies Act prohibits companies from adopting this treatment. However these paragraphs do not feature in the SORP or Accounting Order referred to above. As the accounts are prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords 2008 and applicable accounting standards, and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007, this represents a departure from the Companies Act and is therefore disclosed.

**2 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

	Turnover	2010 Operating Costs	Operating Surplus/ (Deficit)	2009 Operating Surplus/ (Deficit)
	£	£	£	£
<b>Social Lettings</b>	3,267,853	2,430,559	837,294	1,135,293
<b>Other Activities</b>	510,020	504,900	5,120	17,007
<b>Total</b>	3,777,873	2,935,459	842,414	1,152,300
<b>Total for previous year</b>	5,269,283	4,116,983		1,152,300

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2010

**3 PARTICULARS OF INCOME AND EXPENDITURE FROM LETTINGS**

	General needs	Supported Housing Accomm.	Shared Ownership Housing	2010 Total	2009 Total
	£	£	£	£	£
<b>Turnover</b>					
Rents	3,094,985	74,250	-	3,169,235	2,915,838
Service charges	-	-	-	-	-
Gross income from rents and service charges	3,094,985	74,250	-	3,169,235	2,915,838
Less: Rent losses from voids	(55,446)	(933)	-	(56,379)	(34,957)
Net income from rents and service charges	3,039,539	73,317	-	3,112,856	2,880,881
Grants from Scottish Ministers	154,997	-	-	154,997	13,474
Other Revenue Grants	-	-	-	-	8,307
<b>Total Turnover from Social Letting Activities</b>	<b>3,194,536</b>	<b>73,317</b>	<b>-</b>	<b>3,267,853</b>	<b>2,902,662</b>
<b>Operating Costs</b>					
Management & Maintenance administration costs	428,647	15,054	-	443,701	429,056
Service costs	-	-	-	-	-
Planned and Cyclical Maintenance including major repairs costs	1,216,337	1,732	-	1,218,069	503,679
Reactive Maintenance costs	726,206	7,474	-	733,680	803,681
Bad Debts – rents and service charges	35,057	52	-	35,109	30,953
Depreciation of social housing	-	-	-	-	-
Impairment of social housing	-	-	-	-	-
<b>Operating Costs for Social Letting Activities</b>	<b>2,406,247</b>	<b>24,312</b>	<b>-</b>	<b>2,430,559</b>	<b>1,767,369</b>
<b>Operating Surplus / (Deficit) for Social Lettings</b>	<b>788,289</b>	<b>49,005</b>	<b>-</b>	<b>837,294</b>	
<i>Operating Surplus / (Deficit) for Social Lettings previous year</i>					<b>1,135,293</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2010

	4 PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES									
	Grants from Scottish Ministers £	Supporting People Income £	Other Income £	Total Turnover £	Operating costs – bad debts £	Other Operating costs £	2010 Operating surplus/ (deficit) £	2009 Operating surplus/ (deficit) £		
Sales of New Supply Shared Equity properties	-	-	370,850	370,850	-	370,850	-	-		
Wider role	-	-	-	-	-	-	-	15,287		
Support activities	-	-	-	-	-	-	-	-		
Development initiatives	106,170	-	-	106,170	-	106,170	-	-		
Other agency/ management services	-	-	33,000	33,000	-	27,880	5,120	1,720		
<b>Total from other activities</b>	<b>106,170</b>	<b>-</b>	<b>403,850</b>	<b>510,020</b>	<b>-</b>	<b>504,900</b>	<b>5,120</b>	<b>17,007</b>		
<i>Total from other activities for the previous year</i>	<i>1,208,212</i>	<i>-</i>	<i>1,158,409</i>	<i>2,366,621</i>	<i>-</i>	<i>2,349,614</i>	<i>-</i>	<i>17,007</i>		



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

**5 OFFICERS' EMOLUMENTS**

In accordance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2008, details of officers' total emoluments that exceed £60,000 (excluding pension contributions) require disclosure.

One officer received emoluments (excluding pension contributions) greater than £60,000.

	2010	2009
	£	£
a) <b>Emoluments payable to Chief Executive</b> (excluding pension contributions)	<u>61,702</u>	<u>61,030</u>
Pension contributions made on behalf of the Chief Executive	<u>9,483</u>	<u>9,399</u>

**6 EMPLOYEE INFORMATION**

	2010	2009
	Number	Number
The average monthly number of full-time employees during the year was	20	19
<b>Staff costs were:-</b>	<b>£</b>	<b>£</b>
Salaries	629,101	590,755
Social security costs	50,071	46,896
Pension costs	83,158	82,486
	<u>762,330</u>	<u>720,137</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

<b>7</b>	<b>INTEREST RECEIVABLE</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Bank interest	7,285	11,115
	Atrium Initiatives	3,179	2,266
		10,464	13,381
<b>8</b>	<b>INTEREST PAYABLE</b>		
	Interest Payable on Bank loans	632,963	629,097
	Less interest capitalised (note 11a)	-	(16,116)
		632,963	612,981

Interest capitalised in 2009 was incurred at rates of interest between 0.7% and 4.7%.

**9 TAXATION**

Atrium Homes has been recognised by the Inland Revenue as a charity for taxation purposes. Provided its income is derived from and applied to charitable purposes, no taxation liability arises.

**10 SURPLUS ON ORDINARY ACTIVITIES**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
<b>Surplus on Ordinary Activities is stated after charging:</b>		
Auditors Remuneration - External Audit Services (excl. VAT)	6,225	6,225
Operating Lease Rentals - Land and building	31,725	31,725
- Other assets	-	-
Depreciation	27,970	28,648

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2010

**11 a) TANGIBLE FIXED ASSETS – HOUSING PROPERTIES**

	Housing Properties held for letting	Housing Properties under construction	Total
Cost or Valuation	£	£	£
At 1 April 2009	27,387,941	3,240,988	30,628,929
Additions	955,466	4,312,032	5,267,498
Disposals	(60,957)	-	(60,957)
Transfer	1,209,086	(1,209,086)	-
Revaluation	1,370,029	-	1,370,029
<b>At 31 March 2010</b>	<b>30,861,565</b>	<b>6,343,934</b>	<b>37,205,499</b>
<b>Social Housing Grants</b>			
At 1 April 2009	8,012,807	2,593,565	10,606,372
Additions	487,838	3,249,564	3,737,402
Disposals	-	-	-
Transfer	841,667	(841,667)	-
<b>At 31 March 2010</b>	<b>9,342,312</b>	<b>5,001,462</b>	<b>14,343,774</b>
<b>Other Grants</b>			
At 1 April 2009	878,135	44,830	922,965
Additions	51,118	4,318	55,436
Disposals	-	-	-
Transfer	-	-	-
<b>At 31 March 2010</b>	<b>929,253</b>	<b>49,148</b>	<b>978,401</b>
<b>Depreciation</b>			
At 1 April 2009	-	-	-
Charge for year	-	-	-
<b>At 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book values</b>			
As at 31 March 2010	20,590,000	1,293,324	21,883,324
As at 31 March 2009	18,497,000	602,593	19,099,593

Housing Properties held for letting were valued independently by Drivers Jonas in March 2010. The valuation was prepared on the "Existing Use Value for Social Housing" (EUV-SH) basis and amounted to £20.59m on 918 units. In March 2009 Housing Properties Held for Letting were valued on the same basis at £18.5m. Properties under construction include £205,038 (2009 - £261,606) of capitalised attributable development administration costs and interest in excess of allowances received.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

**11 a) TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (ctd.)**

The valuation was undertaken in accordance with the Appraisal & Valuation Standards published by the Royal Institution of Chartered Surveyors using a discounted cash flow method. The key assumptions made were as follows:

- Rental Growth – RPI + 1%
- Discount Rate – 6.25% for original properties, 6% for new-builds
- Expenditure – in accordance with Atrium Homes' long term financial projections.

On the historical cost basis the cost of properties held for letting at 31<sup>st</sup> March 2010 was £12,623,961 (2009 - £11,875,540).

**11 b) TANGIBLE FIXED ASSETS – OTHER**

	Office Premises £	Furniture and Fittings £	Office Equipment £	Computer Equipment £	Total £
<b>Cost or Valuation</b>					
At 1 April 2009	66,026	23,305	21,845	197,773	308,949
Additions	3,575	5,290	4,346	48,611	61,822
Disposals	-		(1,704)	(47,141)	(48,845)
<b>At 31 March 2010</b>	<b>69,601</b>	<b>28,595</b>	<b>24,487</b>	<b>199,243</b>	<b>321,926</b>
<b>Grants</b>					
As at 1 April 2009	26,419	-	-	-	26,419
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At 31 March 2010</b>	<b>26,419</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,419</b>
<b>Depreciation</b>					
At 1 April 2009	33,948	16,491	11,525	188,020	249,984
Charge for the year	6,168	1,725	4,415	15,662	27,970
Disposals			(1,704)	(47,141)	(48,845)
<b>At 31 March 2010</b>	<b>40,116</b>	<b>18,216</b>	<b>14,236</b>	<b>156,541</b>	<b>229,110</b>
<b>Net Book Values</b>					
As at 31 March 2010	3,066	10,379	10,251	42,701	66,397
As at 31 March 2009	5,659	6,814	10,320	9,753	32,546

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

<b>12</b>	<b>FIXED ASSETS INVESTMENT</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Investment in Subsidiary (see note 28)		
	At 31 <sup>st</sup> March 2010 and 31 <sup>st</sup> March 2009	<u>100</u>	<u>100</u>

<b>13</b>	<b>DEBTORS: Amounts receivable within one year:-</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Arrears of rent	92,131	104,222
	Less: Provision for doubtful debts	(45,249)	(58,441)
		<hr/>	<hr/>
		46,882	45,780
	Due from group undertakings	51,607	74,043
	Other debtors and prepayments	305,475	216,612
		<hr/>	<hr/>
		403,964	336,435
		<hr/>	<hr/>

The amount due from Group Undertakings includes £38,529 due after more than one year (2009 - £51,496).

<b>14</b>	<b>CREDITORS: amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Trade creditors	356,290	528,959
	Other Taxation and Social Security	16,018	-
	Accruals and deferred income	336,690	102,969
	Rent in advance	96,787	102,233
	Housing Loans	-	405,057
		<hr/>	<hr/>
		805,785	1,139,218
		<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

**15 CREDITORS: amounts falling due after more than one year**

	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Housing Loans	15,695,426	13,920,822

Housing loans are secured by specific charges on the organisation's housing properties and are repayable at varying rates of interest and in instalments due after four years.

**16 RESERVES**

	<b>Total</b>
	<b>£</b>
<b>Designated Reserve – Major Repairs</b>	
At 1 April 2009	201,977
Transfer from Income and Expenditure account	-
	<hr/>
<b>At 31 March 2010</b>	<b>201,977</b>
<b>Revenue Reserves</b>	
At 1 April 2009	(528,693)
Surplus for year	234,778
Transfer from Revaluation Reserve – properties sold	33,180
Transfer to Designated Reserves	-
	<hr/>
<b>At 31 March 2010</b>	<b>(260,735)</b>
<b>Revaluation Reserve</b>	
At 1 April 2009	6,619,931
Revaluation in year	1,370,029
Transfer to Revenue Reserves – properties sold	(33,180)
	<hr/>
<b>At 31 March 2010</b>	<b>7,956,780</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

**17 CASHFLOW STATEMENT**

a) Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities	2010	2009	
	£	£	
Operating Surplus/ (Deficit)	842,414	1,152,300	
Depreciation	27,972	28,649	
Decrease/(Increase) in WIP	660,100	1,478,211	
(Increase)/ Decrease in Debtors	(103,562)	(105,671)	
(Decrease)/ Increase in Creditors	(333,434)	(1,325,925)	
	1,093,490	1,227,564	
b) Reconciliation of Net Cash Flow to Movement in Net Debt	2010	2009	
	£	£	
Increase/(Decrease) in Cash in the Period	820,967	1,145,687	
Cash Inflow from Debt Finance	(1,369,547)	(3,264,452)	
Change in Net Debt	(548,580)	(2,118,765)	
Net Debt at 1 April 2009	(13,101,398)	(10,982,633)	
Net Debt at 31 March 2010	(13,649,978)	(13,101,398)	
c) Analysis of Changes in Net Debt	At 1 April 2009	Cash Flows	At 31 March 2010
	£	£	£
Cash at Bank and in Hand	1,224,481	820,967	2,045,448
Debt due within 1 year	-	-	-
Debt due after 1 year	(14,325,879)	(1,369,547)	(15,695,426)
	(13,101,398)	(548,580)	(13,649,978)

**NOTES TO THE FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2010**

**18 HOUSING STOCK**

The number of units of general needs accommodation in management was:

Units in management at start of year	908
Units sold under Right to Buy	(3)
Units acquired in year	17
Units constructed in year	-
	<hr/>
Units in management at the year end	922
	<hr/>

**19 COMMITMENTS UNDER OPERATING LEASES**

	2010	2009
	£	£
At the year end, the annual commitments under operating leases were as follows:		
Land and buildings:		
Expiring in over five years	<hr/> 31,725	<hr/> 31,725

**20 RETIREMENT BENEFIT OBLIGATIONS**

**General**

Atrium Homes participates in the SFHA Pension Scheme. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

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**20 RETIREMENT BENEFIT OBLIGATIONS (continued)**

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in Autumn 2010.

**Employer Debt Regulations**

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 buy-out 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 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 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.

Atrium Homes has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for Atrium Homes was £1,570,566.

At this point in time the Trustee does not intend to wind up the SFHA Scheme, nor does Atrium Homes intend to either close the scheme to new entrants or withdraw from the scheme, so no provision for any of these events is made in the accounts.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

<b>21</b>	<b>SCOTTISH SECURE TENANCY RENTS</b>		
		<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Average tenancy rent for housing accommodation	<u>3,430</u>	<u>3,355</u>
	Percentage increase from previous year	<u>2.2%</u>	<u>5.8%</u>
	These figures take into account changes in the composition of stock from acquisition and sales.		
	Rent increase applied	<u>2.9%</u>	<u>5.5%</u>

<b>22</b>	<b>GAIN ON SALE OF HOUSING ACCOMMODATION</b>		
		<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Net proceeds from the disposal of housing accommodation	75,820	128,826
	Book value of housing accommodation sold	<u>60,957</u>	<u>81,346</u>
	Gain on sale of housing accommodation	<u>14,863</u>	<u>47,480</u>

<b>23</b>	<b>CAPITAL COMMITMENTS</b>		
		<b>2010</b>	<b>2009</b>
		<b>£</b>	<b>£</b>
	Capital expenditure contracted but not provided for	<u>3,369,625</u>	<u>1,789,414</u>
	Capital expenditure authorised but not yet contracted	<u>1,990,000</u>	<u>-</u>

This commitment is being financed by agreed loan facilities still to be drawn down.

**26 OTHER FINANCIAL COMMITMENTS**

Under the terms of the stock transfer agreement from September 2000 the organisation is contracted to make significant investment in the stock over a 30 year period. This is fully provided for in the organisation's long term business plan.

**27 CONTINGENT LIABILITIES**

Grants may become repayable in certain circumstances, such as disposal of certain assets or failure to comply with grant conditions. The Board is not aware of any circumstances at the Balance Sheet date which would necessitate provision in the financial statements for any grant to be repaid.

As disclosed in note 20 the company participates in a multi employer pension scheme. Should the company leave the scheme, the amount of employer debt was estimated at £1,570,566 as at 30th September 2009. The company has no intentions of withdrawing from the scheme and consequently no provision has been made in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**for the year ended 31 March 2010**

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**28 RELATED PARTY TRANSACTIONS**

a) One Board member who served during the year is also a tenant – Mr R McLachlan. His tenancy is on Atrium's normal tenancy terms and he cannot use his position to his advantage.

b) The company also had transactions with Atrium Initiatives Ltd, a wholly owned subsidiary of Atrium Homes. Atrium Homes charged Atrium Initiatives £27,880 in respect of office rent and management fees (2009 - £28,271), and £3,179 loan interest (2009 - £2,266). At the Balance Sheet date Atrium Initiatives owed Atrium Homes £51,607 (2009 - £74,043). The loan is repayable in 60 monthly instalments which commenced in December 2008 at a fixed rate of interest of 5.4% and is secured over two properties.

