

Atrium Homes

Report and Financial Statements

For the year ended 31st March 2012

Registered Housing Association No: CON 305

Company Limited by Guarantee: SC190351

Scottish Charity No: SCO28506

ATRIUM HOMES

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ATRIUM HOMES

BOARD OF DIRECTORS, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2012

BOARD OF DIRECTORS

Mr K. Stewart (Chairman)
Mrs M. Coyle
Mr J. Currie
Mr M. Donnelly
Mr M. Griffiths
Ms. J. McIntosh
Mr R. McLachlan
Mr J. O'Neil
Mr G. Piggott
Mr D. McColl
Ms M. Peck
Mr G. Burns (co-opted December 2010)
Ms M Barnes (co-opted December 2010)

MEMBERS

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

EXECUTIVE OFFICERS

Stephen Black	Chief Executive
Joyce McCroskie	Head of Operations
Celia Taylor	Head of Investment
Alana Durnin	Head of Finance

REGISTERED OFFICE

39/41 John Finnie Street
KILMARNOCK
KA1 1BL

EXTERNAL AUDITORS

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

INTERNAL AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
GLASGOW
G2 7HF

BANKERS

Clydesdale Bank plc
30 The Foregate
KILMARNOCK
KA1 1JH

CORPORATE SOLICITORS

BTO Solicitors
48 St Vincent Street
GLASGOW
G2 5HS

MANAGEMENT SOLICITORS

James Guthrie and Company
3 Portland Road
KILMARNOCK
KA1 2AN

ATRIUM HOMES

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2012

The Board of Directors presents its report and the Financial Statements for the year ended 31st March 2012.

Legal Status

Atrium Homes is a company limited by guarantee established under the Companies Act 2006 and is governed by its Memorandum and Articles of Association. Atrium Homes is a registered Scottish Charity with the charity number SCO28506.

Principal Activities

The principal activity of Atrium Homes is the provision of quality affordable rented accommodation and related services.

Review of Business and Future Developments

Progress this year has continued to be satisfactory. Atrium's strategy for growth and regeneration in our estates continued to be implemented with the completion of 105 new build affordable rented properties in Cumnock, Catrine and Stewarton. In addition, construction commenced on a further new build development site in Kilmarnock, which will add an additional 42 affordable rented properties to our portfolio on completion in the summer of 2012.

The developments in Catrine and Cumnock take us into another part of East Ayrshire, fulfilling one of our strategic objectives of expansion in terms of operational location.

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.

Financial Performance

Income and Expenditure Account

The Company made a surplus for the year of £814,446 (2011 - surplus £709,694) and had net assets of £10,513,453 (2011 - £9,364,076).

The main source of income for the organisation continued to be rental income of £3.8 million from its affordable letting activities.

Balance Sheet

Atrium Homes' Balance Sheet as at 31 March 2012 is shown on page 9. The Balance Sheet reflects our decision to include our housing stock at valuation (rather than cost less depreciation) and that the valuation is on an "Existing Use Value for Social Housing" (EUV-SH) basis.

The valuation was carried out by Drivers Jonas Deloitte and reflects an increase in stock numbers through new build, previous investment in existing stock, and overall future investment needs, resulting in a valuation of £31.9 mill (£25.2 mill in 2011).

ATRIUM HOMES

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2012

Review of Business and Future Developments (Contd.)

Financial Performance

Cashflow

Atrium Homes' cashflow can be seen on page 10. The main sources of cash inflows were rents. The organisation also invested significantly in new build developments and this was part funded by grants, loan funding and front funding by Atrium Homes for two new development sites at Catrine and Kilmarnock, whilst a new loan facility was arranged with the Dunfermline Building Society, received in April 2012. Consequently cash balances at the year-end showed a reduction of £1.5 mill to £783k. However, on receipt of the new loan funding in April 2012 cash balances increased to in excess of £2 million.

Treasury 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

Atrium Homes' business plan allowed for losses in the early years of its existence to carry out planned maintenance work to improve the condition of its stock and in the past this was charged to the revenue account and not capitalised. However, with the implementation of component accounting in 2012, maintenance work previously charged to the revenue account was capitalised and as a result the revenue reserve increased. Increased surpluses have also had a positive impact on the value of the revenue reserves, which is 25%, (18% - 2011) of the total Capital and Reserves value. The Board's policy in future is to continue to improve the level of revenue reserves.

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.

The Board and Executive Officers

The members of the Board of Directors and the Executive Officers are listed on Page 1. The Board of Atrium Homes have delegated certain powers to three sub-committees comprising of Investment, Operations and Finance and Audit, which correspond with the main operational departments.

The liability of the members of the Company is limited under the Memorandum and Articles of Association to a sum not exceeding £1.

The members of the Board of Directors are also Trustees of the Charity. Members of the Board of Directors are appointed by the members at the Annual General Meeting.

REPORT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2012

Statement of Board Responsibilities

Company Law requires the Board of Directors to prepare Financial Statements 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 Financial Statements, the Board of Directors is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association 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 for Registered Social Landlords 2008". They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Board of Directors are aware:

- 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
- The Board of 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.

**REPORT OF THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31ST MARCH 2012**

Statement on Internal Financial Control

The Board of Directors acknowledges its ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate for the business environment in which it operates and the Finance and Audit Committee, on behalf of the Board, is responsible for its effectiveness. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Company, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Board of Directors' responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement of loss. Key elements of the Company's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Company's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board of Directors to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors;
- the Board of Directors receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

Donations

During the year Atrium made charitable donations of £2,100 (2011 - £10,300) including £1,000 to the Darvel Music Company's 10th Anniversary Festival. We also continue to provide financial and practical support for various community development activities in our estates including local sponsorship.

Auditors

Following a tender exercise carried out in November 2011, a resolution to appoint Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting, in accordance with Section 487(2) of the Companies Act 2006.

By order of the Board of Directors

STEPHEN BLACK
Secretary
26th June 2012



ATRIUM HOMES

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 5 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 Association, and examination of relevant documents, we have satisfied ourselves that the Board's Statement on Internal Financial Control appropriately reflects the Association'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

DUNDEE
26th June 2012

Independent Auditor's Report to the Members of Atrium Homes Limited

We have audited the financial statements of Atrium Homes Limited for the year ended 31 March 2012. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's 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 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.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board Responsibilities set out on pages 4, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

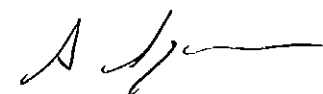
In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Companies Act 2006, the Housing (Scotland) Act 2001, and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

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:

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



ALEXANDER SQUIRES, C.A. (senior statutory auditor)
For and on behalf of Findlay & Company
Chartered Accountants and Statutory Auditors
11 Dudhope Terrace
Dundee, DD3 6TS
26 June 2012

ATRIUM HOMES

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	2012 £	restated 2011 £
TURNOVER	2.	3,956,959	3,659,697
Operating Costs	2.	(2,478,334)	(2,324,863)
OPERATING SURPLUS	9.	<u>1,478,625</u>	<u>1,334,834</u>
Profit on Sale of Housing Stock	7.	-	20,291
Interest Receivable and Other Income		12,794	14,225
Interest Payable and Similar Charges	8.	(676,973)	(659,656)
		(664,179)	(625,140)
SURPLUS FOR THE YEAR		<u><u>814,446</u></u>	<u><u>709,694</u></u>

STATEMENT OF RECOGNISED GAINS AND LOSSES

		2012 £	2011 £
Surplus for year		814,446	709,694
Unrealised movement on revaluation of Properties	17.(b)	334,931	748,141
Total recognised gains/ (losses) for the year		<u>1,149,377</u>	<u>1,457,835</u>
Prior Year Adjustment	23	8,219	
Total gains and losses recognised since last annual report		<u><u>1,149,377</u></u>	<u><u>1,457,835</u></u>

NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS

		2,012 £	2,011 £
Surplus for year		814,446	709,694
Historical cost increase in gain of sale of housing accommodation		-	25,007
Historical cost depreciation charge		(644,197)	(483,715)
Historical cost surplus / (deficit) for the year		<u><u>170,249</u></u>	<u><u>250,986</u></u>

ATRIUM HOMES

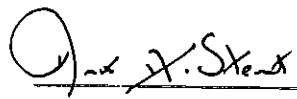
BALANCE SHEET AS AT 31st MARCH 2012

	Notes	£	2012 £	£	restated 2011 £
TANGIBLE FIXED ASSETS					
Housing Properties at Valuation			31,890,000		25,270,000
Housing Properties Under Construction @ Cost	10.(a)	3,097,182		5,363,573	
Less: Social Housing Grant	10.(a)	(2,533,198)		(5,081,382)	
: Other Public Grants	10.(a)	(41,524)		(70,584)	
Other Fixed Assets	10.(b)		522,460		211,607
			52,987		64,851
			<u>32,465,447</u>		<u>25,546,458</u>
FIXED ASSET INVESTMENTS					
Investment in Subsidiaries	20		100		100
			<u>32,465,547</u>		<u>25,546,558</u>
CURRENT ASSETS					
Debtors	13.	216,756		1,706,764	
Cash at bank and in hand		782,924		2,289,864	
		999,680		3,996,628	
CREDITORS: Amounts falling due within one year	14.	(841,350)		(2,161,586)	
NET CURRENT ASSETS			<u>158,330</u>		<u>1,835,042</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>32,623,877</u>		<u>27,381,600</u>
CREDITORS: Amounts falling due after more than one year	15.	(22,110,424)		(18,017,524)	
NET ASSETS			<u><u>10,513,453</u></u>		<u><u>9,364,076</u></u>
CAPITAL AND RESERVES					
Share Capital	17		-		-
Designated Reserves	17.(a)		117,070		201,977
Revaluation Reserves	17.(b)		7,772,815		7,437,884
Revenue Reserves	17.(c)		2,623,568		1,724,215
			<u>10,513,453</u>		<u>9,364,076</u>

The Financial Statements were approved by the Board of Directors and signed on their behalf on

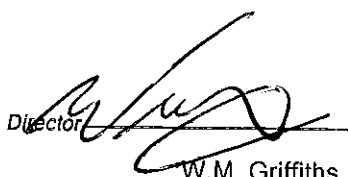
26th June 2012

Chairperson



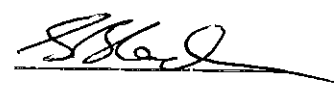
K.A. Stewart

Director



W.M. Griffiths

Secretary



S. Black

ATRIUM HOMES

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2012

	Notes	£	2012 £	£	Restated 2011 £
Net Cash Inflow from Operating Activities	16.		1,265,734		2,695,045
Returns on Investment and Servicing of Finance					
Interest Received		12,794		14,225	
Interest Paid		(676,973)		(659,656)	
Net Cash (Outflow) from Investment and Servicing of Finance			(664,179)		(645,431)
Capital Expenditure and Financial Investment					
Acquisition and Construction of Properties		(10,710,570)		(7,853,804)	
Purchase of Other Fixed Assets		(19,272)		(95,226)	
Social Housing Grant Received		4,402,056		3,353,628	
Social Housing Grant Repaid		-		-	
Other Grants Received		78,065		201,646	
Proceeds on Disposal of Properties		-		63,816	
Net Cash (Outflow) from Capital Expenditure and Financial Investment			(6,249,721)		(4,329,940)
Net Cash (Outflow) / Inflow before use of Liquid Resources and Financing			(5,648,166)		(2,280,326)
Financing					
Loan Advances Received		4,340,973		2,545,623	
Loan Principal Repayments		(199,747)		(20,881)	
Net Cash Inflow from Financing			4,141,226		2,524,742
Increase in Cash	16.		(1,506,940)		244,416

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Consolidated 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.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

Retirement Benefits

The Company participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Company are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. Contributions to the scheme are charged to the Income and Expenditure Account in the period that they fall due.

Valuation Of Housing Properties

The Company revalues its housing properties on an annual basis using the EUV-SH basis. In accordance with the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010 major components are separately identified and are depreciated on a straight line basis over their useful lives. Land is not depreciated. All component are categorised within Housing Properties in Note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of Housing Properties may be in excess of the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Kitchens	15 years
Boilers	15 years
Doors	25 years
Bathrooms	30 years
Widows	30 years
Doors	25 years
Heating Systems	30 years
Roofs	40 years
Structure	60 years

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of 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 useful lives of the assets at the following annual rates:-

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

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Sales Of Housing Properties

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Leases/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. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties

The Company capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Investments

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

Designated Reserves

The Company has designated part of its reserves to meet its long term obligations.

The Major Repairs Reserve is based on the Company's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction. Provision is made for such repairs expenditure and the actual cost of repairs is charged to the Income and Expenditure account.

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 £3,470,451 (2011 - £5,151,966) 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 £131,581 (2011 - £213,217) was receivable in the year relating to medical adaptations, repairs grants and development initiatives (included within notes 3 & 4). Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable under 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 on the face of the Balance Sheet in accordance with Statement of Recommended Practice: Accounting by Registered Social Landlords 2008. The Consultative Committee of Accountancy Bodies have received Counsel's Opinion that paragraph 17 & 26 of Schedule 4 of 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 2006 and is therefore disclosed.

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2012			2011 (as restated)		
		Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
Social Lettings	3.	3,815,435	2,253,720	1,561,715	3,467,905	2,133,071	1,334,834
Other Activities	4.	141,524	224,614	(83,090)	191,792	191,792	-
Total		3,956,959	2,478,334	1,478,625	3,659,697	2,324,863	1,334,834

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Supported Housing	Shared ownership	Restated	
				2012 Total	2011 Total
	£	£	£	£	£
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	3,678,774	79,411	-	3,758,185	3,434,384
Service Charges Receivable	-	-	-	-	-
Gross Rents Receivable	3,678,774	79,411	-	3,758,185	3,434,384
Less: Rent losses from voids	24,644	299	-	24,943	50,404
Net Rents Receivable	3,654,130	79,112	-	3,733,242	3,383,980
Revenue Grants from Scottish Ministers	82,193	-	-	82,193	83,925
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-	-
Total Income From Social Letting	3,736,323	79,112	-	3,815,435	3,467,905
Expenditure on Social Letting Activities					
Service Costs	-	-	-	-	-
Management and maintenance administration costs	386,522	13,411	-	399,933	444,655
Reactive Maintenance	619,486	7,995	-	627,481	684,812
Bad Debts - Rents and Service Charges	43,695	44	-	43,739	41,116
Planned and Cyclical Maintenance, including Major Repairs	534,963	3,408	-	538,371	478,773
Depreciation of Social Housing	628,968	15,228	-	644,196	483,715
Impairment of Housing	-	-	-	-	-
Operating Costs of Social Letting	2,213,634	40,086	-	2,253,720	2,133,071
Operating Surplus on Social Letting Activities	1,522,689	39,026	-	1,561,715	1,334,834
2011 (as restated)	1,298,829	36,005	-		

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs £	Operating Costs Other £	Operating Surplus /(Deficit) 2012 £	Operating Surplus /(Deficit) 2011 £
Shared Ownership (First Tranche Sales)	-	-	-	-	-	-	-	-	-
Other Agency or Management Services	-	-	-	86,033	86,033	-	86,033	-	-
Development initiatives	55,491	-	-	-	55,491	-	138,581	(83,090)	-
Services - Other Owners	-	-	-	-	-	-	-	-	-
Total From Other Activities	<u>55,491</u>	<u>-</u>	<u>-</u>	<u>86,033</u>	<u>141,524</u>	<u>-</u>	<u>224,614</u>	<u>(83,090)</u>	<u>-</u>
2011	<u>137,799</u>	<u>-</u>	<u>-</u>	<u>53,993</u>	<u>191,792</u>	<u>-</u>	<u>191,792</u>	<u>-</u>	<u>-</u>

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2012 £	2011 £
Pension contributions made on behalf of the Chief Executive	<u>6,153</u>	<u>9,711</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>64,218</u>	<u>63,180</u>

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	1

6. EMPLOYEE INFORMATION

	2012 No.	2011 No.
The average monthly number of full time equivalent persons employed during the year was	<u>20</u>	<u>20</u>
Staff Costs were:	£	£
Wages and Salaries	604,049	625,351
Social Security Costs	51,760	50,438
Other Pension Costs	112,275	86,324
	<u>768,084</u>	<u>762,113</u>

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2012	2011
	£	£
Sales Proceeds	-	63,816
Cost of Sales	-	43,525
Gain On Sale Of Housing Stock	<u>-</u>	<u>20,291</u>

8. INTEREST PAYABLE

	2012	2011
	£	£
On Bank Loans & Overdrafts	676,973	659,656
On Other Loans	-	-
Less: Interest Capitalised	<u>676,973</u>	<u>659,656</u>
	<u>-</u>	<u>-</u>
	<u>676,973</u>	<u>659,656</u>

9. SURPLUS ON ORDINARY ACTIVITIES

	2012	2011
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	669,034	509,787
Auditors' Remuneration - Audit Services	7,200	6,600
- Other Services	3,000	-
Operating Lease Rentals - Land & Buildings	32,400	31,725
Operating Lease Rentals - Other	-	-
	<u>-</u>	<u>-</u>

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Shared Ownership In course of Construction £	Total £
COST OR VALUATION					
As at 1st April 2011 (as restated)	43,653,266	5,363,573	-	-	49,016,839
Additions	1,553,967	9,156,603	-	-	10,710,570
Disposals	-	-	-	-	-
Revaluation	334,931	-	-	-	334,931
Schemes Completed	11,422,994	(11,422,994)	-	-	-
As at 31st March 2012	<u>56,965,158</u>	<u>3,097,182</u>	-	-	<u>60,062,340</u>
DEPRECIATION					
As at 1st April 2011 (as restated)	2,734,077	-	-	-	2,734,077
Charge for Year	644,197	-	-	-	644,197
Disposals	-	-	-	-	-
As at 31st March 2012	<u>3,378,274</u>	-	-	-	<u>3,378,274</u>
SOCIAL HOUSING GRANT					
As at 1st April 2011 (as restated)	14,613,732	5,081,382	-	-	19,695,114
Additions	-	3,398,685	-	-	3,398,685
Disposals	-	-	-	-	-
Schemes Completed	5,946,869	(5,946,869)	-	-	-
As at 31st March 2012	<u>20,560,601</u>	<u>2,533,198</u>	-	-	<u>23,093,799</u>
OTHER CAPITAL GRANTS					
As at 1st April 2011 (as restated)	1,035,457	70,584	-	-	1,106,041
Additions	71,766	-	-	-	71,766
Disposals	-	-	-	-	-
Schemes Completed	29,060	(29,060)	-	-	-
As at 31st March 2012	<u>1,136,283</u>	<u>41,524</u>	-	-	<u>1,177,807</u>
NET BOOK VALUE					
As at 31st March 2012	<u>31,890,000</u>	<u>522,460</u>	-	-	<u>32,412,460</u>
As at 31st March 2011 (as restated)	<u>25,270,000</u>	<u>211,607</u>	-	-	<u>25,481,607</u>

Housing Properties held for letting were valued independently by Driver Jonas Deloitte in 1st April 2012. The valuation was prepared on the 'Existing Use Value for Social Housing' basis and amounted to £31.89 million on 1092 units. In 1st April 2011 the housing stock was valued on the same basis at £25.27 million on 985 units.

Additions to housing properties includes capitalised development administration costs of £181,377 (2011 - £180,004) and capitalised major repair costs to existing properties of £1,416,838 (2011 £1,491,567).

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

- Rental Growth - RPI + 1% until 2013, RPI + 0.75% thereafter
- Discount Rate - 6.5% real
- Expenditure - in accordance with the Company's long term financial projections

On the historical cost basis the cost of properties held for letting at 31st March 2012 was £28,882,207 (2011 £16,549,443).

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Computer Equipment £	Office Equipment £	Office Premises £	Furniture and Fittings £	Total £
COST					
As at 1st April 2011 (as restated)	207,695	26,855	148,507	34,096	417,153
Additions	3,630	-	10,624	5,018	19,272
Eliminated on Disposals	-	-	-	-	-
As at 31st March 2012	<u>211,325</u>	<u>26,855</u>	<u>159,131</u>	<u>39,114</u>	<u>436,425</u>
GRANTS RECEIVED					
As at 1st April 2011 (as restated)	-	-	97,120	-	97,120
Received in year	-	-	6,299	-	6,299
Repaid on Disposal	-	-	-	-	-
As at 31st March 2012	-	-	<u>103,419</u>	-	<u>103,419</u>
AGGREGATE DEPRECIATION					
As at 1st April 2011 (as restated)	173,493	19,124	41,800	20,765	255,182
Charge for year	16,116	4,888	991	2,842	24,837
Eliminated on disposal	-	-	-	-	-
As at 31st March 2012	<u>189,609</u>	<u>24,012</u>	<u>42,791</u>	<u>23,607</u>	<u>280,019</u>
NET BOOK VALUE					
As at 31st March 2012	<u>21,716</u>	<u>2,843</u>	<u>12,921</u>	<u>15,507</u>	<u>52,987</u>
As at 31st March 2011 (as restated)	<u>34,202</u>	<u>7,731</u>	<u>9,587</u>	<u>13,331</u>	<u>64,851</u>

11. CAPITAL COMMITMENTS

	2012 £	2011 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>2,765,678</u>	<u>7,493,065</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2012 £	2011 £
Land and Buildings		
Expiring within one year	-	-
Expiring between two and five years	32,400	32,400
Expiring in over five years	-	-
Other		
Expiring within one year	797	73
Expiring between two and five years	2,629	1,134
Expiring in over five years	-	-
	<u>33,826</u>	<u>33,607</u>

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2012	2011
	£	£
Arrears of Rent & Service Charges	157,299	116,168
Less: Provision for Doubtful Debts	<u>(80,970)</u>	<u>(56,213)</u>
	76,329	59,955
Social Housing Grant Receivable	-	1,003,371
Other Debtors	115,701	604,909
Amounts Due from Group Undertakings	<u>24,726</u>	<u>38,529</u>
	<u>216,756</u>	<u>1,706,764</u>

The amount due from Group Undertakings includes £10,158 due after more than one year.

14. CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Housing Loans	250,970	202,644
Trade Creditors	154,814	1,752,670
Rent in Advance	99,436	96,094
Other Taxation and Social Security	14,032	1,718
Other Creditors	<u>322,098</u>	<u>108,460</u>
	<u>841,350</u>	<u>2,161,586</u>

15. CREDITORS: Amounts falling due after more than one year

	2012	2011
	£	£
Housing Loans	<u>22,110,424</u>	<u>18,017,524</u>
<p>Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-</p>		
Within one year	250,970	202,644
Between one and two years	370,596	312,683
Between two and five years	1,420,586	1,173,964
In five years or more	<u>20,319,242</u>	<u>16,530,877</u>
	22,361,394	18,220,168
Less: Amount shown in Current Liabilities	<u>250,970</u>	<u>202,644</u>
	<u>22,110,424</u>	<u>18,017,524</u>

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2012 £	Restated 2011 £
Operating Surplus	1,478,625	1,334,834
Depreciation	669,034	509,787
Change in Debtors	486,637	(302,733)
Change in Creditors	(1,368,562)	1,153,157
Net Cash Inflow from Operating Activities	<u>1,265,734</u>	<u>2,695,045</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2012 £	£	2011 £	£
Increase in Cash	(1,506,940)		244,416	
Cash flow from change in debt	<u>(4,141,226)</u>		<u>(2,524,742)</u>	
Movement in net debt during year		(5,648,166)		(2,280,326)
Net debt at 1st April 2011		<u>(15,930,304)</u>		<u>(13,649,978)</u>
Net debt at 31st March 2012		<u>(21,578,470)</u>		<u>(15,930,304)</u>

<i>Analysis of changes in net debt</i>	At 01.04.11 £	Cash Flows £	Other Changes £	At 31.03.12 £
Cash at bank and in hand	<u>2,289,864</u>	(1,506,940)		<u>782,924</u>
Debt: Due within one year	2,289,864	(1,506,940)		782,924
Due after more than one year	(202,644)	(48,326)		(250,970)
	<u>(18,017,524)</u>	<u>(4,092,900)</u>		<u>(22,110,424)</u>
Net Debt	<u>(15,930,304)</u>	<u>(5,648,166)</u>	-	<u>(21,578,470)</u>

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. RESERVES

(a) Designated Reserves - Major Repairs

	Total £
At 1st April 2011	201,977
Transfer to / (from) Revenue Reserves	(84,907)
At 31st March 2012	<u>117,070</u>

(b) Revaluation Reserve

	Total £
At 1st April 2011 (as restated)	7,437,884
Revaluation in year	334,931
Transfer to Revenue Reserve on disposal or depreciation	-
At 31st March 2012	<u>7,772,815</u>

(c) Revenue Reserves

	Total £
At 1st April 2011 (as restated)	1,724,215
Surplus for the Year	814,446
Transfer (to) / from Designated Reserves	84,907
At 31st March 2012	<u>2,623,568</u>

18. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2012 No.	2011 No.
General Needs - New Build	272	167
- Rehabilitation	796	794
Shared Ownership	-	-
Supported Housing	<u>24</u>	<u>24</u>
	<u>1,092</u>	<u>985</u>

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. RELATED PARTY TRANSACTIONS

Members of the Board of Directors are related parties of the Company as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Board of Directors is summarised as follows:

- 1 member is a tenant of the Company
- 2 members are factored owners

Those members that are tenants of the Company have tenancies that are on the Company's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Company and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

20 FIXED ASSET INVESTMENT

	2009	2008
	£	£
Investments in Subsidiaries		
As at 31 March 2012 & 31 March 2011	<u>100</u>	<u>100</u>

In the opinion of the Board of Directors the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Company's balance sheet.

The Company has a 100% owned subsidiary Atrium Initiatives Limited. The relationship between the Company and its subsidiary is set out in an independence agreement between both parties.

The following transactions took place between the entities during the year:

Atrium Homes charged Atrium Initiatives £81,392 in respect of office rent, management fees, administration support salary costs (2011 - £45,681), and £1,744 loan interest (2011 - £2,469). Atrium Homes also novated two new build contracts to Atrium Initiatives for the sum of £1,806,959 and in turn Atrium Initiatives provided design and build services to the parent company at a charge of £1,835,659, with an overall net cost to Atrium Homes of £28,700.

The aggregate amount of capital and reserves and the results of Atrium Initiatives Limited for the year ended 31 March 2012 were as follows:

	2012	2011
	£	£
Capital & Reserves	<u>45,479</u>	<u>16,476</u>
Profit for the year	<u>39,003</u>	<u>26,909</u>

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. 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.

The Company participates in a multi employer pension scheme, as disclosed in note 22. Should the Company leave the scheme, the amount of employer debt was estimated at £1,925,273 as at 30th of September 2011. However, there is no intention of withdrawing from the scheme and consequently no provision has been made in the financial statements.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS

General

Atrium Homes participates in the Scottish Housing Association Pension Scheme (SHAPS).

The SHAPS Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme

The Scheme offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Atrium Homes has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2011 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1 April 2011.

The Trustee commissions an actuarial valuation of the Scheme every 3 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 actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Atrium Homes paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 9.6% in the final salary scheme and 8.5% in the care 60th scheme.

As at the balance sheet date there were 17 active members of the Scheme employed by Atrium Homes. The annual pensionable payroll in respect of these members was £112,275. Atrium Homes continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. SHAPS is a multi-employer scheme where the scheme 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 Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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 30th September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2009.

Financial Assumptions

The financial assumptions underlying the valuation as at 30 September 2009 were as follows:

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
-Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (s1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £54m would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures will be:

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

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The next full actuarial valuation will be carried out as at 30 September 2012.

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

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 PRIOR YEAR ADJUSTMENT

During the year, the Company changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 of the Financial Statements, in order to incorporate component accounting. Major repairs which relate to identified components are capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance and Financial Reporting Standard 18 - Accounting Policies, as follows:

	£
Increase / (Decrease) in Net Book Value of Housing Properties	-
Increase / (Decrease) in Net Book Value of Other Fixed Assets	-

The effect of adopting component accounting has been to increase revenue reserves at 31st March 2011, and decrease the revaluation reserves at the same date by £1,242,030.

The figures in the 2011 Financial Statements have been adjusted as follows:

	Reported in 2011 Accounts £	Restated 2011 figures £
Housing Property	25,481,607	25,481,607
Office Premises	9,587	9,587
Revenue Reserves	482,185	1,724,215
Revaluation Reserves	8,679,914	7,437,884
	<hr/>	<hr/>
Housing Depreciation Charge	-	483,715
Other Depreciation Charge	26,072	26,072
Major Repairs Charge	954,269	478,773
	<hr/>	<hr/>

The reported surplus in 2011 has been restated by £8219 and now stands at £709694