

**Atrium Homes**

**Report and Financial Statements**

**For the year ended 31st March 2013**

**Registered Housing Association No.CON 305**

**Company Limited by Guarantee SC190351**

**Scottish Charity No. SCO28506**

# ATRIUM HOMES

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## ATRIUM HOMES

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### BOARD OF DIRECTORS, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2013

#### BOARD OF DIRECTORS

Mr K. Stewart	(Chairman)
Mr J. O'Neill	(Vice Chairman)
Mrs M. Coyle	
Mr J. Currie	
Mr G. Piggott	
Mr M. Griffiths	
Ms. M. Peck	
Ms. J. McIntosh	
Mr D. McColl	(Resigned January 2013)
Mr M. Donnelly	(Retired August 2012)
Mr R. MacLachlan	(Retired August 2012)

#### Co-optees

Ms M. Barnes	(Resigned June 2012)
Mr G. Burns	(Co-option renewed August 2012)
Ms J. Lamberton	(from August 2012)
Mr J. Sheffield	(from November 2012)
Ms R. Robin	(from January 2013)

#### 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

#### AUDITORS

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
GLASGOW  
G2 7HF

#### BANKERS

Clydesdale Bank plc  
30 The Foregate  
KILMARNOCK  
KA1 1JH

#### SOLICITORS

Harper McLeod  
The Ca'd'oro, 45 Gordon Street  
GLASGOW  
G1 3PE

James Guthrie and Company  
3 Portland Road  
KILMARNOCK  
KA1 2AN

## ATRIUM HOMES

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### REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2013

The Board of Directors presents its report and the Financial Statements for the year ended 31st March 2013.

#### Legal Status

Atrium Homes is a company limited by guarantee under the Companies Act 2006 No.SC190351 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 42 new build affordable rented properties in Kilmarnock. In addition, construction commenced on a further new build development site in Fenwick, which will add an additional 15 affordable rented properties to our portfolio on completion in the summer of 2013.

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 £1,250,082 (2012 - surplus £814,446) and had net assets of £11,075,831 (2012 - £10,513,453).

The main source of income for the organisation continued to be rental income of £4.4 million from its affordable letting activities.

##### *Balance Sheet*

Atrium Homes' Balance Sheet as at 31 March 2013 is shown on page 10. 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.

A valuation of all stock was carried out by Drivers Jonas Deloitte in March 2012 and the additional increase in 42 units through new build was valued by Jones Lang LaSalle in March 2013. These valuations, previous investment in existing stock, and overall future investment needs, have resulted in a valuation of £33.2 mill for properties held for let (£31.9 mill in 2012).

##### *Cashflow*

Atrium Homes' cashflow can be seen on page 11. The main sources of cash inflows were rents. The organisation also invested significantly in new build developments and this was part funded by grants and loan funding. Consequently cash balances at the year-end showed an increase of £1.48 mill to £2.26 mill.

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REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 31ST MARCH 2013

Review of Business and Future Developments (Contd.)

**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 from 2012, maintenance work previously charged to the revenue account has been 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 33.5%, (25% - 2012) 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 was a tenant up until 25<sup>th</sup> of October 2012 - Mrs J Lamberton. Her tenancy was on Atrium's normal tenancy terms and she did not use her position to her advantage.

## ATRIUM HOMES

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### REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2013

#### Board of Directors 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 Association's Annual General Meeting.

#### Statement of Board of Directors's 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 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Company's suppliers are paid promptly.

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.

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REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 31ST MARCH 2013

**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. 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 or 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 Company 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 the Atrium made charitable donations amounting to £591 (2012 - £2,100).

**Auditors**

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Board of Directors



Secretary  
25 June 2013

ATRIUM HOMES

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



ALEXANDER SLOAN  
Chartered Accountants

GLASGOW  
25 June 2013



## **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 31st March 2013 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. 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).

The financial statements of the Company for the year ended 31 March 2012 were audited by another Auditor whose report expressed an unqualified opinion on those financial statements.

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 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 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 Board of Directors and Auditors**

As explained more fully in the Statement of Board of Directors's Responsibilities the Company's Board of Directors, are responsible for the preparation of the Financial Statements that 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 on 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 Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; 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 of our report.

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31st March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies Act 2006, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

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

We are required to report to you if, in our opinion:

- the information given in the Board of Directors Report is inconsistent with the financial statements.

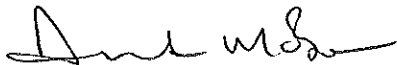
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ATRIUM HOMES

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Matters on which we are required to report by exception (contd.)

- proper books of account have not been kept by the Company in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Company in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Company.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



Andrew McBean (senior statutory auditor)  
For and on behalf of Alexander Sloan  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
25 June 2013

## ATRIUM HOMES

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### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

	Notes	2013 £	2012 £
TURNOVER	2.	4,495,019	3,956,959
Operating Costs	2.	<u>(2,479,418)</u>	<u>(2,478,334)</u>
OPERATING SURPLUS	9.	2,015,601	1,478,625
Gain On Sale Of Housing Stock	7.	7,011	-
Interest Receivable and Other Income		18,150	12,794
Interest Payable and Similar Charges	8.	<u>(790,680)</u>	<u>(676,973)</u>
		<u>(765,519)</u>	<u>(664,179)</u>
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,250,082</u>	<u>814,446</u>

All amounts relate to continuing activities.

Historical cost surpluses and deficits are identical to those shown in the accounts.

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

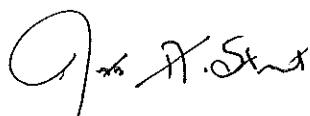
	2013 £	2012 £
Surplus for the financial year	1,250,082	814,446
Unrealised movement on revaluation of Properties	(687,704)	334,931
Prior year adjustment	-	8,219
Total gains recognised since last annual report	<u>562,378</u>	<u>1,149,377</u>

# ATRIUM HOMES

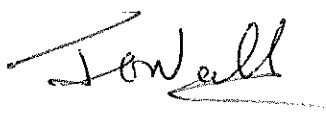
## BALANCE SHEET AS AT 31st MARCH 2013

	Notes	2013 £	2012 £
<b>TANGIBLE FIXED ASSETS</b>			
Housing Properties at Valuation	11.(a)	57,649,377	53,586,884
Housing Properties Under Construction at Cost	11.(a)	1,328,856	3,097,182
Less: Social Housing Grant	11.(a)	(23,665,795)	(23,093,799)
: Other Public Grants	11.(a)	(1,305,814)	(1,177,807)
		<u>34,006,624</u>	<u>32,412,460</u>
Other fixed assets	11.(b)	36,318	52,987
		<u>34,042,942</u>	<u>32,465,447</u>
<b>FIXED ASSET INVESTMENTS</b>			
Investment in subsidiaries	21.	100	100
<b>CURRENT ASSETS</b>			
Debtors	14.	375,073	216,756
Cash at bank and in hand		<u>2,261,549</u>	<u>782,924</u>
		2,636,622	999,680
<b>CREDITORS: Amounts falling due within one year</b>	15.	<u>(1,551,651)</u>	<u>(841,350)</u>
<b>NET CURRENT ASSETS</b>		<u>1,084,971</u>	<u>158,330</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		35,128,013	32,623,877
<b>CREDITORS: Amounts falling due after more than one year</b>	16.	<u>(24,052,182)</u>	<u>(22,110,424)</u>
<b>NET ASSETS</b>		<u>11,075,831</u>	<u>10,513,453</u>
<b>CAPITAL AND RESERVES</b>			
Designated Reserves	18.(a)	370,000	117,070
Revaluation Reserves	18.(b)	6,988,770	7,772,815
Revenue Reserves	18.(c)	3,717,061	2,623,568
		<u>11,075,831</u>	<u>10,513,453</u>

The Financial Statements were approved by the Board of Directors and signed on their behalf on 25 June 2013.



Chairperson



Vice-Chairperson



Secretary

ATRIUM HOMES

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2013

	Notes	2013 £	2012 £
Net Cash Inflow from Operating Activities	17.	3,183,042	1,265,734
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		18,150	12,794
Interest Paid		(790,680)	(676,973)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		<b>(772,530)</b>	<b>(664,179)</b>
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(3,775,745)	(10,710,570)
Purchase of Other Fixed Assets		(1,439)	(19,272)
Social Housing Grant Received		314,402	4,402,056
Other Grants Received		169,531	78,065
Proceeds on Disposal of Properties		32,038	-
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		<b>(3,261,213)</b>	<b>(6,249,721)</b>
<b>Net Cash Outflow before use of Liquid Resources and Financing</b>		<b>(850,701)</b>	<b>(5,648,166)</b>
<b>Financing</b>			
Loan Advances Received		2,917,894	4,340,973
Loan Principal Repayments		(588,568)	(199,747)
<b>Net Cash Inflow from Financing</b>		<b>2,329,326</b>	<b>4,141,226</b>
<b>Increase / (decrease) in Cash</b>	17.	<b>1,478,625</b>	<b>(1,506,940)</b>

# ATRIUM HOMES

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### 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 modified to include the revaluation of certain fixed assets. They also comply with the Determination of Accounting Requirements 2012. 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.

##### **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 components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Kitchens	15 years
Boilers	15 years
Re-wiring	25 years
Doors	25 years
Bathrooms	30 years
Windows	30 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.

# ATRIUM HOMES

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### 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.

##### **Social Housing Grant And Other Grants In Advance/Arrears**

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

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.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

##### **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.

# ATRIUM HOMES

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **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 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2013			2012		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	4,442,769	2,344,272	2,098,497	3,815,435	2,253,720	1,561,715
Other Activities	4.	52,250	135,146	(82,896)	141,524	224,614	(83,090)
<b>Total</b>		<b>4,495,019</b>	<b>2,479,418</b>	<b>2,015,601</b>	<b>3,956,959</b>	<b>2,478,334</b>	<b>1,478,625</b>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2013 Total £	2012 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	4,225,078	77,562	-	4,302,640	3,758,185
<b>Gross Rents Receivable</b>	4,225,078	77,562	-	4,302,640	3,758,185
Less: Rent losses from voids	41,522	615	-	42,137	24,943
<b>Net Rents Receivable</b>	4,183,556	76,947	-	4,260,503	3,733,242
Revenue Grants from Scottish Ministers	65,986	-	-	65,986	82,193
Revenue Grants From Local Authorities and Other Agencies	116,280	-	-	116,280	-
<b>Total Income From Social Letting</b>	<b>4,365,822</b>	<b>76,947</b>	<b>-</b>	<b>4,442,769</b>	<b>3,815,435</b>
<b>Expenditure on Social Letting Activities</b>					
Management and maintenance administration costs	430,362	14,168	-	444,530	399,933
Reactive Maintenance	634,653	7,427	-	642,080	627,481
Bad Debts - Rents and Service Charges	54,452	130	-	54,582	43,739
Planned and Cyclical Maintenance, including Major Repairs	500,185	2,888	-	503,073	538,371
Depreciation of Social Housing	685,065	14,942	-	700,007	644,196
<b>Operating Costs of Social Letting</b>	<b>2,304,717</b>	<b>39,555</b>	<b>-</b>	<b>2,344,272</b>	<b>2,253,720</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>2,061,105</b>	<b>37,392</b>	<b>-</b>	<b>2,098,497</b>	<b>1,561,715</b>
<b>2012</b>	<b>1,522,689</b>	<b>39,026</b>	<b>-</b>		

ATRIUM HOMES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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 Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2013	Operating Surplus / (Deficit) 2012
	£	£	£	£	£	£	£	£	£
Development initiatives	-	-	-	-	-	-	82,896	(82,896)	(83,090)
Other Income	-	-	-	52,250	52,250	-	52,250	-	-
<b>Total From Other Activities</b>	-	-	-	52,250	52,250	-	135,146	(82,896)	(83,090)
<b>2012</b>	<b>55,491</b>	<b>-</b>	<b>-</b>	<b>86,033</b>	<b>141,524</b>	<b>-</b>	<b>224,614</b>	<b>(83,090)</b>	<b>(83,090)</b>

# ATRIUM HOMES

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### 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.

	2013	2012
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>68,265</u>	<u>64,218</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>6,553</u>	<u>6,153</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>68,256</u>	<u>64,218</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

	2013	2012
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>19</u>	<u>20</u>
Staff Costs were:	£	£
Wages and Salaries	597,013	604,049
Social Security Costs	51,262	51,760
Other Pension Costs	112,550	112,275
	<u>760,825</u>	<u>768,084</u>

## ATRIUM HOMES

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

	2013	2012
	£	£
Sales Proceeds	32,038	-
Cost of Sales	<u>25,027</u>	<u>-</u>
Gain On Sale Of Housing Stock	<u>7,011</u>	<u>-</u>

#### 8. INTEREST PAYABLE

	2013	2012
	£	£
On Bank Loans & Overdrafts	<u>790,680</u>	<u>676,973</u>

#### 9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013	2012
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	710,706	669,034
Auditors' Remuneration - Audit Services	5,450	7,200
- Other Services	3,212	3,000
Operating Lease Rentals - Land & Buildings	<u>32,400</u>	<u>32,400</u>

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Company 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 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
<b>COST OR VALUATION</b>			
As at 1st April 2012(as restated)	57,006,193	3,097,182	60,103,375
Additions	700,534	3,075,211	3,775,745
Disposals	(41,779)	(68,840)	(110,619)
Revaluation	(687,704)		(687,704)
Schemes Completed	4,774,697	(4,774,697)	-
As at 31st March 2013	<u>61,751,941</u>	<u>1,328,856</u>	<u>63,080,797</u>
<b>DEPRECIATION</b>			
As at 1st April 2012(as restated)	3,419,309	-	3,419,309
Charge for Year	692,598	-	692,598
Disposals	(9,343)	-	(9,343)
As at 31st March 2013	<u>4,102,564</u>	<u>-</u>	<u>4,102,564</u>
<b>SOCIAL HOUSING GRANT</b>			
As at 1st April 2012(as restated)	20,560,601	2,533,198	23,093,799
Additions	-	600,000	600,000
Disposals	-	(28,004)	(28,004)
Schemes Completed	2,505,194	(2,505,194)	-
As at 31st March 2013	<u>23,065,795</u>	<u>600,000</u>	<u>23,665,795</u>
<b>OTHER CAPITAL GRANTS</b>			
As at 1st April 2012(as restated)	1,136,283	41,524	1,177,807
Additions	169,531	-	169,531
Disposals	-	(41,524)	(41,524)
As at 31st March 2013	<u>1,305,814</u>	<u>-</u>	<u>1,305,814</u>
<b>NET BOOK VALUE</b>			
As at 31st March 2013	<u>33,277,768</u>	<u>728,856</u>	<u>34,006,624</u>
As at 31st March 2012(as restated)	<u>31,890,000</u>	<u>522,460</u>	<u>32,412,460</u>

Additions to housing properties includes capitalised development administration costs of £74,969 (2012 - £181,377) and capitalised major repair costs to existing properties of £312,957 (2012 - £1,416,838).

All land and housing properties are freehold.

## ATRIUM HOMES

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### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

##### a) Housing Properties (continued)

Housing Properties held for letting were valued independently by Driver Jonas Deloitte on 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.

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 + 1.5% until 2010, RPI + 1% thereafter
- Discount Rate - 6.5% real
- Expenditure - in accordance with the Company's long term financial projections

At 31st March 2013 the company valued the development projects completed during the year. The properties were independently valued by Jones Lang LaSalle on the 'Existing Use Value for Social Housing' basis at £1,513,000. The key assumptions were similar to the assumptions stated above.

On the historical cost basis the cost of properties held for letting at 31st March 2013 was £50,700,778 (2012 £45,945,183).

## ATRIUM HOMES

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Furniture and Fittings £	Computer Equipment £	Office Premises £	Office & Equipment £	Total £
<b>COST</b>					
As at 1st April 2012	39,114	211,325	159,131	26,855	436,425
Additions	-	1,175	-	264	1,439
As at 31st March 2013	<u>39,114</u>	<u>212,500</u>	<u>159,131</u>	<u>27,119</u>	<u>437,864</u>
<b>GRANTS RECEIVED</b>					
As at 1st April 2012	-	-	103,419	-	103,419
As at 31st March 2013	<u>-</u>	<u>-</u>	<u>103,419</u>	<u>-</u>	<u>103,419</u>
<b>AGGREGATE DEPRECIATION</b>					
As at 1st April 2012	23,607	189,609	42,791	24,012	280,019
Charge for year	2,528	13,033	973	1,574	18,108
As at 31st March 2013	<u>26,135</u>	<u>202,642</u>	<u>43,764</u>	<u>25,586</u>	<u>298,127</u>
<b>NET BOOK VALUE</b>					
As at 31st March 2013	<u>12,979</u>	<u>9,858</u>	<u>11,948</u>	<u>1,533</u>	<u>36,318</u>
As at 31st March 2012	<u>15,507</u>	<u>21,716</u>	<u>12,921</u>	<u>2,843</u>	<u>52,987</u>

#### 12. CAPITAL COMMITMENTS

	2013 £	2012 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>1,138,033</u>	<u>2,765,678</u>

The above commitments will be financed by a mixture of private finance and the Company's own resources.

#### 13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2013 £	2012 £
<b>Land and Buildings</b>		
Expiring between two and five years	32,400	32,400
<b>Other</b>		
Expiring within one year	1,374	797
Expiring between two and five years	<u>1,191</u>	<u>2,629</u>

# ATRIUM HOMES

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. DEBTORS

	2013	2012
	£	£
Arrears of Rent & Service Charges	180,395	157,299
Less: Provision for Doubtful Debts	<u>(93,512)</u>	<u>(80,970)</u>
	86,883	76,329
Other Grants Receivable	142,799	-
Other Debtors	91,105	115,701
Amounts Due from Group Undertakings	<u>54,286</u>	<u>24,726</u>
	<u>375,073</u>	<u>216,756</u>

#### 15. CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Housing Loans	638,538	250,970
Trade Creditors	253,514	154,814
Rent in Advance	108,344	99,436
Other Taxation and Social Security	21,978	14,032
Amounts Due to Group Undertakings	10,966	-
Other Creditors	885	322,098
Accruals and Deferred Income	<u>517,426</u>	<u>-</u>
	<u>1,551,651</u>	<u>841,350</u>

#### 16. CREDITORS: Amounts falling due after more than one year

	2013	2012
	£	£
Housing Loans	<u>24,052,182</u>	<u>22,110,424</u>
<p>Housing Loans are secured by specific charges on the Company's housing properties and are repayable at varying rates of interest in instalments, due as follows:-</p>		
Within one year	638,538	250,970
Between one and two years	658,452	370,596
Between two and five years	2,314,186	1,420,586
In five years or more	<u>21,079,544</u>	<u>20,319,242</u>
	24,690,720	22,361,394
Less: Amount shown in Current Liabilities	638,538	250,970
	<u>24,052,182</u>	<u>22,110,424</u>



# ATRIUM HOMES

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2013 £	2012 £
Operating Surplus	2,015,601	1,478,625
Depreciation	717,427	669,034
Change in Debtors	127,281	486,637
Change in Creditors	322,733	(1,368,562)
Net Cash Inflow from Operating Activities	<u>3,183,042</u>	<u>1,265,734</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2013 £	£	2012 £	£
Increase / (decrease) in Cash	1,478,625		(1,506,940)	
Cash flow from change in debt	<u>(2,329,326)</u>		<u>(4,141,226)</u>	
Movement in net debt during year		(850,701)		(5,648,166)
Net debt at 1st April 2012		<u>(21,578,470)</u>		<u>(15,930,304)</u>
Net debt at 31st March 2013		<u><u>(22,429,171)</u></u>		<u><u>(21,578,470)</u></u>

<i>Analysis of changes in net debt</i>	At 01.04.12 £	Cash Flows £	Other Changes £	At 31.03.13 £
Cash at bank and in hand	782,924	1,478,625		2,261,549
Debt: Due within one year	(250,970)	(2,329,326)	1,941,758	(638,538)
Due after more than one year	<u>(22,110,424)</u>	-	<u>(1,941,758)</u>	<u>(24,052,182)</u>
Net Debt	<u>(21,578,470)</u>	<u>(850,701)</u>	-	<u>(22,429,171)</u>

## ATRIUM HOMES

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. RESERVES

##### (a) Designated Reserves

	Total £
At 1st April 2012	117,070
Transfer (to) / from Revenue Reserves	252,930
At 31st March 2013	<u>370,000</u>

##### (b) Revaluation Reserve

	Total £
At 1st April 2012	7,772,815
Revaluation in year	(687,704)
Transfer to Revenue Reserve on disposal or depreciation	(96,341)
At 31st March 2013	<u>6,988,770</u>

##### (c) Revenue Reserves

	Total £
At 1st April 2012	2,623,568
Surplus for the year	1,250,082
Transfer (to) / from Designated Reserves	(156,589)
At 31st March 2013	<u>3,717,061</u>

#### 19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2013 No.	2012 No.
General Needs - New Build	314	272
- Rehabilitation	797	796
Supported Housing	24	24
	<u>1,135</u>	<u>1,092</u>

# ATRIUM HOMES

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. RELATED PARTY TRANSACTIONS

Members of the Board of Directors are related parties of the Association 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 factored owner.

Those members that are tenants of the Company have tenancies that are on the Association'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.

#### 21. FIXED ASSET INVESTMENT

	2013 £	2012 £
Investments in Subsidiaries		
As at 31st March 2013 & 31st March 2012	<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 £49,520 in respect of office rent, management fees and rechargeable expenditure (2012 - £81,392), and £979 loan interest (2012 - £1,744). During the year, Atrium Homes also rented two properties to Atrium Initiatives charged at social housing rents, guaranteeing income of £5,936 regardless of any void periods and Atrium Initiatives rented these out at mid market rents.

Atrium Initiatives also provided design and build services to the parent company for the sum of £1,767,043 (2012 £1,835,659), incurring costs of £1,745,743 (2012 £1,806,959) with an overall net cost to Atrium Homes of £21,300 (2012 £28,700).

At the Balance Sheet date Atrium Initiatives owed Atrium Homes £10,159 (2012 - £24,726) in respect of a loan repayable in monthly instalments until November 2013 at a fixed rate of interest of 5.4%. The loan is secured over two properties.

The aggregate amount of capital and reserves and the results of Atrium Initiatives Limited for the year ended 31st March 2013 were as follows:

	2013 £	2012 £
Capital & Reserves	<u>66,432</u>	<u>45,479</u>
Profit for the year	<u>20,953</u>	<u>39,003</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**22. RETIREMENT BENEFIT OBLIGATIONS**

**General**

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

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

The Scheme offers five 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
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

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 31st March 2011 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1st April 2011.

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 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 values. 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 9.6% and 8.6% of pensionable salaries. Member contributions were 9.6% and 8.5%.

As at the balance sheet date there were 16 active members of the Scheme employed by Atrium Homes. The annual pensionable payroll in respect of these members was £516,464. 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 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.

# ATRIUM HOMES

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. This valuation is due to be finalised by December 2013. However, draft results have been published. The market value of the Scheme's assets at the valuation date was £394m. The draft valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

#### Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2012 have not yet been published, but the assumptions at 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 in excess of GMP	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. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	<i>Males</i>	<i>Females</i>
	<i>Assumed life expectancy in years at age 65</i>	<i>Assumed life expectancy in years at age 65</i>
Non-pensioners	18.1	20.6
Pensioners	18.1	20.6

## ATRIUM HOMES

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. 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.

The Trustees are currently reviewing the progress of the Recovery Plan and will be supplying updated contribution figures to members in due course. However, they have indicated that the deficit will be based on each member's share of the deficit and that the average increase would (if there is no change in the recovery plan period) be in the region of 153%.

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.