

**Atrium Homes**

**Report and Financial Statements**

**For the year ended 31 March 2017**

**Atrium Homes**

**Report and Financial Statements  
For the year ended 31 March 2017**

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**Registration Particulars:**

|                            |   |
|----------------------------|---|
| Companies House            | Company Limited by Guarantee SC190351                   |
| Scottish Housing Regulator | Housing (Scotland) Act 2010<br>Registered Number CON305 |
| Charity Number             | SC028506  |

**Atrium Homes**

**Board of Directors, Executives and Advisers  
For the year ended 31 March 2017**

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**Board of Directors**

|                  |                             |
|------------------|-----------------------------|
| James O'Neill    | Chairperson                 |
| Graham Piggot    | Vice-Chairperson            |
| Marie Coyle      |                             |
| Ken Stewart      |                             |
| David Aitken     |                             |
| Claire Gower     | resigned 28 March 2017      |
| Alan Grant       | resigned 26 August 2016     |
| Joe Keen         |                             |
| Kara Alker       | appointed 27 September 2016 |
| Sally Turner     | appointed 27 September 2016 |
| Mary Nilsen      | appointed 27 September 2016 |
| Anthony Odendaal | appointed 27 September 2016 |

**Executive Officers**

|                 |                                       |
|-----------------|---------------------------------------|
| Stephen Black   | Chief Executive                       |
| Joyce McCroskie | Head of Operations                    |
| Celia Taylor    | Head of Investment                    |
| Tom Jessop      | Finance and Business Services Manager |

**Registered Office**

14 Central Avenue  
Shortlees  
Kilmarnock  
KA1 4PS

**Auditor**

RSM UK Audit LLP  
69 Wellington Street  
Glasgow  
G2 6HG

**Bankers**

Clydesdale Bank plc  
30 The Foregate  
Kilmarnock  
KA1 1JH

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

Nationwide Building Society  
Kings Park Road  
Northampton  
NN3 6NW

**Solicitors**

Harper MacLeod LLP  
65 Haymarket Terrace  
Edinburgh  
EH12 5HD

## **Atrium Homes**

### **Report of the Board of Directors For the year ended 31 March 2017**

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The Board of Directors presents their report and audited financial statements for the year ended 31 March 2017.

#### **Legal Status**

Atrium Homes is a company limited by guarantee under the Companies Act 2006 No.SC190351 and is governed by its Articles of Association. Atrium Homes is a registered Scottish Charity with the charity number SC028506.

#### **Principal Activities**

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

#### **Our Strategic Aims**

Atrium Homes' mission statement outlines our commitment to our communities. The mission statement is as follows:

"We will listen to understand your needs; work with you to sustain and grow your communities; and use our resources to create opportunities for positive change. Together we will build strong foundations for the future."

Atrium Homes' key operational objectives are to:

- Nurture the business,
- Engage with our customers,
- Meet our customers' expectations,
- Effectively manage product investment, and
- Continue with good governance.

We see these as significant objectives, which challenge the delivery of our core activities.

#### **Business Model and Background**

Atrium began its landlord activities on 14 September 2000, when it bought 909 housing units and 99 lockup garages from Scottish Homes, at a cost of £8.5m. After an initial period of establishing its credentials as a landlord, Atrium Homes pursued a strategy of prudently managed growth from 2005/06 until 2013/14.

As a consequence, as well as delivering core customer services, investing in stock and managing its financial health, Atrium added to its portfolio through new build activity and selective acquisitions via the Mortgage to Rent scheme. Currently, of the Registered Social Landlords operating in East Ayrshire, Atrium has the largest amount of stock in the area. To support its developments, Atrium increased its borrowings via facilities with The Royal Bank of Scotland and Nationwide. Atrium has marshalled this situation well through effective treasury management.

Regulatory engagement with Atrium has been light through its 17-year life, and for the last 4 financial years engagement has been low. This reflects the good governance of Atrium by Board and senior staff during difficult economic times.

### **Financial and Operational Highlights**

The Company made a surplus of £1,062k (2016 restated £1,103k). The main source of income for the Company continued to be rental income from social lettings. This comprises 93.5% (2016 91.2%) of total income received in the year. The surplus made for the year was in line with the budget.

Atrium Homes continues to grow its balance sheet and as a result reduce the level of gearing. Cash balances have increased by £1,545k in the year, due to positive operating performance and HAG funding the ongoing development and reconfiguration works up to the year end. The level of cash held by the Company is significantly above the minimum level required by the Treasury Management Policy.

During the year an error within the depreciation calculation was identified. The Housing Property Components had been under-depreciated from 1 April 2014 (see note 25). The resulting adjustment was a reduction to opening reserves of £398,244, and a reduction of the prior period surplus of £199,122.

### **Future Prospects**

Atrium Homes continues to explore development opportunities that fit with the Company's objectives. The Company is currently on site with a 43 new unit development within Shortlees and has plans for a further 29 units in a second phase. This is planned to complete within the next financial year, with the second phase planned for the following year. In addition to this the Company is also undertaking re-configuration works at properties within the New Farm Loch area. These will be completed in the first half of 2017-18.

In addition to the physical growth and direction outlined above, the Board will continue to explore wider role opportunities, following the appointment of two Community Managers.

### **Risk Management Policy**

The Board have a formal risk management process to assess, monitor and manage business risks. This involves identifying the types of risks that the Company faces, prioritising them in terms of potential impact and likelihood of occurrence, in addition to identifying means of mitigating these risks. As part of this process the Board have reviewed the adequacy of the Company's current internal controls.

The Board have set policies on internal controls which cover the following:

- Consideration of the type of risks the Company faces;
- The level of risks they regard as acceptable;
- The likelihood of the risks concerned materialising;
- The Company's ability to reduce the impact and incidence on the business of risks that do materialise;
- Clarified the responsibility of management to implement the Board's policies and to identify and evaluate risks for their consideration; and
- Embedded the control system so it becomes part of the Company's culture.

**Key Performance Indicators (financial and non-financial)**

The Board monitors the Company's performance against a number of financial and non-financial indicators. These include net surplus, cash balances held, rental losses due to voids and bad debts, level of arrears and balance sheet ratios. Performance of these KPIs against budget and targets set has been positive during the year.

**Going Concern**

The Board have reviewed the results for this year and have reviewed the financial projections for the next 5 years.

The Board have concluded that the present arrangements in place for the Company are adequate for the Company to meet its liabilities as they fall due for the foreseeable future. Accordingly, they continue to adopt the Going Concern basis in preparing the financial statements.

**Disclosure of Information to the Auditor**

The members of the Board of Directors at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

**Auditor**

A resolution for the reappointment of RSM UK Audit LLP, as auditors of the Association, will be proposed at the Annual General meeting.

By Order of the Board of Directors

**Stephen Black  
Company Secretary**

27 June 2017

**Statement of Board of Directors' Responsibilities  
For the year ended 31 March 2017**

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The Board of Directors are responsible for preparing the Report of the Board of Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Board of Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the Board of Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the Board of Directors are required to:

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

The Board of Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Atrium Homes

### Board of Directors' Statement on Internal Control For the year ended 31 March 2017

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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; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Board's 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 or failure to meet objectives. 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 the Company's assets;
- experienced and suitably qualified staff take responsibility for the 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 to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Board;
- the Finance, Audit & Staffing Sub-Committee receives 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; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal and external audit reports.

The effectiveness of the Company's system of internal financial control has been reviewed by the Board for the year ended 31 March 2017. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Board of Directors



**Stephen Black**  
Company Secretary

27 June 2017



## Atrium Homes

### Report by the Auditors to the Members of Atrium Homes Limited on Corporate Governance Matters For the year ended 31 March 2017

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In addition to our audit of the Financial Statements, we have reviewed your statement on page 8 concerning the Company's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

#### Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Company and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Company's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

#### Opinion

In our opinion the Statement on Internal Financial Control on page 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



RSM UK AUDIT LLP  
Statutory Auditor  
Chartered Accountants  
69 Wellington Street  
Glasgow  
G2 6HG

Date 13/07/17

**Independent Auditors Report to the Members of Atrium Homes  
For the year ended 31 March 2017**

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**Opinion on financial statements**

We have audited the financial statements of Atrium Homes on pages 12 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Board's Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Board's Report have been prepared in accordance with applicable legal requirements.

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the Board's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;

**Independent Auditors Report to the Members of Atrium Homes Limited  
For the year ended 31 March 2017**

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**Respective responsibilities of the Board and auditor**

As explained more fully in the Board's Responsibilities Statement set out on page 7, the Board are responsible for the preparation of the financial statements and for being satisfied that they 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.

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



KELLY ADAMS MA(Hons) CA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
69 Wellington Street  
Glasgow  
G2 6HG

Date 13/07/17

Atrium Homes

Statement of Comprehensive Income  
For the year ended 31 March 2017

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|  | Notes | 2017<br>£          | Restated<br>2016<br>£ |
|--|-------|--------------------|-----------------------|
| REVENUE                                  | 2     | 5,114,366          | 5,180,677             |
| Operating costs                          | 2     | <u>(3,525,042)</u> | <u>(3,493,515)</u>    |
| OPERATING SURPLUS                        | 9     | 1,589,324          | 1,687,162             |
| (Loss)/gain on disposal of housing stock | 7     | (19,967)           | 5,993                 |
| Interest receivable and other income     |       | 24,126             | 33,326                |
| Interest payable and similar charges     | 8     | (483,936)          | (612,120)             |
| Other finance charges                    | 11    | <u>(19,799)</u>    | <u>(11,220)</u>       |
| SURPLUS FOR THE YEAR                     |       | <u>1,089,748</u>   | <u>1,103,141</u>      |

All amounts relate to continuing operations.

The accompanying notes form part of these financial statements.

**Atrium Homes**

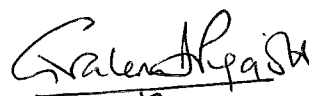
**Statement of Financial Position  
As at 31 March 2017**

|   | Notes | 2017<br>£         | Restated<br>2016<br>£ |
|---|-------|-------------------|-----------------------|
| <b>NON CURRENT ASSETS</b>                               |       |                   |                       |
| Housing properties – depreciate cost                    | 12(a) | 33,377,617        | 33,298,954            |
| Other non-current assets                                | 12(b) | 1,345,324         | 1,424,015             |
|   |       | <u>34,722,941</u> | <u>34,722,969</u>     |
| Investments in subsidiaries                             | 13    | 100               | 100                   |
| Debtors: amounts falling due after more than one year   | 16    | 125,494           | 133,032               |
| <b>CURRENT ASSETS</b>                                   |       |                   |                       |
| Debtors   | 16    | 450,072           | 396,342               |
| Cash in bank and in hand                                |       | 5,107,560         | 3,562,237             |
| Cash and cash equivalents                               |       |                   |                       |
|   |       | <u>5,557,632</u>  | <u>3,958,579</u>      |
| Creditors: amounts falling due within one year          | 17    | (1,603,058)       | (1,277,892)           |
| <b>NET CURRENT ASSETS</b>                               |       | <u>3,954,574</u>  | <u>2,680,687</u>      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |       | <u>38,803,109</u> | <u>37,536,788</u>     |
| Creditors: amounts falling due after more than one year | 18    | (23,227,728)      | (22,991,320)          |
| Provisions for liabilities                              |       |                   |                       |
| Pension provisions                                      | 21    | (496,504)         | (560,206)             |
| Other provisions  | 21    | (20,948)          | (17,081)              |
| <b>TOTAL NET ASSETS</b>                                 |       | <u>15,057,929</u> | <u>13,968,181</u>     |
| <b>EQUITY</b>   |       |                   |                       |
| Revenue reserve   |       | 7,921,978         | 6,609,847             |
| Revaluation reserve                                     |       | 7,135,951         | 7,358,334             |
|   |       | <u>15,057,929</u> | <u>13,968,181</u>     |

The financial statements were approved by the Board of Directors and authorised for issue and signed on behalf their behalf on 27 June 2017.



Chairperson



Vice Chairperson



Secretary

Atrium Homes

Statement of Changes in Reserves  
For the year ended 31 March 2017

|  | Notes | Revaluation<br>reserve<br>£ | Revenue<br>reserve<br>£ | Total<br>£        |
|--|-------|-----------------------------|-------------------------|-------------------|
| <b>Balance at 1 April 2015 as reported</b>     |       | <b>7,521,214</b>            | <b>5,542,948</b>        | <b>13,064,162</b> |
| Prior period adjustment                        | 25    | -                           | (199,122)               | (199,122)         |
| <b>Balance at 1 April 2015 as restated</b>     |       | <b>7,521,214</b>            | <b>5,343,826</b>        | <b>12,865,040</b> |
| Transfer from revaluation reserve              |       | (162,880)                   | 162,880                 | -                 |
| Surplus for the year as restated               | 25    | -                           | 1,103,141               | 1,103,141         |
| <b>Balance as at 31 March 2016 as restated</b> |       | <b>7,358,334</b>            | <b>6,609,847</b>        | <b>13,968,181</b> |
| <b>Balance at 1 April 2016 as restated</b>     |       | <b>7,358,334</b>            | <b>6,609,847</b>        | <b>13,968,181</b> |
| Transfer from revaluation reserve              |       | (222,383)                   | 222,383                 | -                 |
| Surplus for the year                           |       | -                           | 1,089,748               | 1,089,748         |
| <b>Balance at 31 March 2017</b>                |       | <b>7,135,951</b>            | <b>7,921,978</b>        | <b>15,057,929</b> |

**Atrium Homes****Statement of Cash Flows  
For the year ended 31 March 2017**

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|   | <b>Notes</b> | <b>2017<br/>£</b>  | <b>2016<br/>£</b>  |
|---|--------------|--------------------|--------------------|
| Net cash generated from operating activities                | 19           | 2,831,097          | 2,483,446          |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                  |              |                    |                    |
| Acquisition and construction of properties                  |              | (1,179,260)        | (459,300)          |
| Purchase of other fixed assets                              |              | (6,574)            | (1,064,740)        |
| Social housing grant received                               |              | 1,054,159          | 140,578            |
| Other grants received                                       |              | -                  | -                  |
| Proceeds on disposal of properties                          |              | 72,722             | 85,263             |
| <b>NET CASH (USED IN) INVESTING ACTIVITIES</b>              |              | <b>(58,953)</b>    | <b>(1,298,199)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                  |              |                    |                    |
| Interest received on cash and cash equivalents              |              | 24,126             | 39,326             |
| Interest paid on loans                                      |              | (483,936)          | (608,120)          |
| Loan principal repayments                                   |              | (767,011)          | (670,898)          |
| Share capital issued  |              | -                  | -                  |
| <b>NET CASH (USED IN) FINANCING ACTIVITIES</b>              |              | <b>(1,226,821)</b> | <b>(1,239,692)</b> |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b> |              | <b>1,545,323</b>   | <b>(54,445)</b>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>       |              | <b>3,562,237</b>   | <b>3,616,682</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>             |              | <b>5,107,560</b>   | <b>3,562,237</b>   |

The accompanying notes form part of these financial statements.

**ACCOUNTING POLICIES (continued)**  
**For the year ended 31 March 2017**

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1. ACCOUNTING POLICIES

LEGAL STATUS

The Company is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Company's registered office and principal place of business is 14 Central Avenue, Shortlees, Kilmarnock, East Ayrshire, KA1 4PS.

The Company's principal activities are the provision and management of quality affordable rented accommodation.

Atrium Homes is a Public Benefit Entity.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

CONSOLIDATION EXEMPTION

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

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below.

*Critical accounting estimates*

*Recoverable amount of rent arrears and other debtors*

The Company assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

*Useful lives of properties, plant and equipment*

The Company assesses the useful lives of its properties, plant and equipment and estimates the annual charge to be depreciated based on this.

*Components of housing properties*

The Company assesses the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.



**ACCOUNTING POLICIES (continued)**  
**For the year ended 31 March 2017**

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1. ACCOUNTING POLICIES (continued)

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT (continued)

*Valuation of property and impairment review*

The Company's properties reviewed annually for impairment in line with the Company's impairment policy.

*Obligations under a defined benefit pension scheme*

The Company participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits in 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.

In determining the Company's share of the underlying assets and liabilities of the Scottish Housing Association Defined Benefit Scheme (SHAPS), the valuation prepared by the Scheme actuary includes estimations in relation to life expectancy, salary growth, inflation and the discount rate on corporate bonds.

The rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. The Company accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS102. The present value of this liability has been recognised in the Statement of Financial Position.

*Critical areas of judgement*

*Categorisation of Housing Properties*

In the judgement of the Board of Directors the entirety of the Company's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

*Identification of cash generating units for impairment assessment purposes*

The Company considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

*Financial Instrument Break Clause*

The Company has considered the break clauses attached to the Financial Instruments that it has in place for its loan funding. In the judgement of the Board these break clauses do not cause the Financial Instrument to be classified as a Complex Financial Instrument, and therefore they meet the definition of a Basic Financial Instrument.

*Categorisation of leases*

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee, or the lessee, where the Association is a lessor.

GOING CONCERN

On that basis the Board of Directors has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**ACCOUNTING POLICIES (continued)**  
**For the year ended 31 March 2017**

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1. ACCOUNTING POLICIES (continued)

TURNOVER AND REVENUE RECOGNITION

Turnover comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sale of properties built for sale, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

GOVERNMENT GRANTS

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

OTHER GRANTS

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

OTHER INCOME

*Interest income*

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent.

Completed housing properties are stated at deemed cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

**ACCOUNTING POLICIES (continued)**  
**For the year ended 31 March 2017**

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1. ACCOUNTING POLICIES (continued)

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

**DEPRECIATION OF HOUSING PROPERTIES**

Freehold land or assets under construction are not depreciated.

The Company separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

|                           |          |
|---------------------------|----------|
| Structure                 | 60 years |
| Land                      | Nil      |
| Assets under construction | Nil      |
| Windows                   | 30 years |
| Doors                     | 25 years |
| Kitchens                  | 15 years |
| Bathrooms                 | 30 years |
| Roof                      | 40 years |
| Boilers                   | 15 years |
| Central Heating           | 30 years |
| Electrical works          | 25 years |

**IMPAIRMENTS OF FIXED ASSETS**

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

**ACCOUNTING POLICIES (continued)**  
**For the year ended 31 March 2017**

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1. ACCOUNTING POLICIES (continued)

OTHER TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation of each asset on a straight line basis over its expected useful life, as follows:

|                        |            |
|------------------------|------------|
| Office Premises        | 3.33%      |
| Furniture and Fittings | 10% to 20% |
| Computer Equipment     | 20%        |
| Office Equipment       | 20%        |

BORROWING COSTS

All borrowing costs are expensed as incurred.

TAXATION

Atrium Homes has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

VAT

The Company is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT.

DEPOSITS AND LIQUID RESOURCES

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

LEASES

*Operating Leases*

All other leases are operating leases and the annual rentals are charged to income and expenditure on a straight line basis over the lease term.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the RSL is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**ACCOUNTING POLICIES (continued)**  
**For the year ended 31 March 2017**

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1. ACCOUNTING POLICIES (continued)

RETIREMENT BENEFITS

*Defined benefit plans*

The Company participates in a funded multi-employer defined benefit scheme, the Scottish Housing Association Pension Scheme (SHAPS).

Contributions are recognised in income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

*Asset/Liability*

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

FINANCIAL INSTRUMENTS

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

The Company's debt instruments are measured at amortised cost using the effective interest rate method.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

FINANCIAL ASSETS

*Debtors*

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

**ACCOUNTING POLICIES (continued)**  
**For the year ended 31 March 2017**

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1. ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

*Trade creditors*

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

PROVISIONS

Provisions are recognised when the RSL has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 March 2017**

**2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT**

|  | Notes | Turnover<br>£    | Operating<br>costs<br>£ | 2017<br>Operating<br>surplus/(deficit)<br>£ | Restated<br>2016<br>Operating<br>surplus/(deficit)<br>£ |
|--|-------|------------------|-------------------------|---|---|
| Affordable letting activities                          | 3     | 4,758,765        | 3,190,416               | 1,568,349                                   | 1,590,189   |
| Other activities                                       | 4     | 355,601          | 334,626                 | 20,975                                      | 96,973  |
| <b>Total</b>   |       | <b>5,114,366</b> | <b>3,525,042</b>        | <b>1,589,324</b>                            | <b>1,687,162</b>  |
| <b>Total for previous reporting period as restated</b> |       | <b>5,180,677</b> | <b>3,493,515</b>        | <b>1,687,162</b>                            |   |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

|  | General<br>Needs<br>Social<br>Housing<br>£ | Supported Social<br>Housing<br>Accommodation<br>£ | Total<br>2017<br>£ | Restated<br>Total<br>2016<br>£ |
|--|--|---|--------------------|--------------------------------|
| <b>Revenue from Lettings</b>   |  |   |                    |                                |
| Rent receivable net of service charges   | 4,754,577                                  | 81,771  | 4,836,348          | 4,771,816                      |
| Service charges  | 8,863                                      | -   | 8,863              | 15,218                         |
| Gross income from rents and service charges  | 4,763,440                                  | 81,771  | 4,845,211          | 4,787,034                      |
| Less voids   | 83,128                                     | 4,492   | 87,620             | 62,124                         |
| <b>Net income from rents and service charges</b>   | <b>4,680,312</b>                           | <b>77,279</b>                                     | <b>4,757,591</b>   | <b>4,724,910</b>               |
| Grants released from deferred income   | 1,174                                      | -   | 1,174              | 1,174                          |
| Revenue grants from Scottish Ministers   | -  | -   | -                  | 121,213                        |
| <b>Total turnover from affordable letting activities</b>   | <b>4,681,486</b>                           | <b>77,279</b>                                     | <b>4,758,765</b>   | <b>4,847,297</b>               |
| <b>Expenditure on affordable letting activities</b>  |  |   |                    |                                |
| Management and maintenance administration costs  | 747,543                                    | 17,648  | 765,191            | 776,537                        |
| Planned and cyclical maintenance including major repairs costs   | 426,510                                    | 1,102   | 427,612            | 545,786                        |
| Reactive maintenance costs   | 906,291                                    | 30,740  | 937,031            | 958,327                        |
| Bad debts - rents and service charges  | 52,478                                     | 196   | 52,674             | 36,697                         |
| Depreciation of affordable let properties  | 917,026                                    | 19,165  | 936,191            | 939,761                        |
| Impairment of Social Housing   | 71,717                                     | -   | 71,717             | -                              |
| <b>Operating Costs for affordable letting activities</b>   | <b>3,121,565</b>                           | <b>68,851</b>                                     | <b>3,190,416</b>   | <b>3,257,108</b>               |
| <b>Operating surplus or deficit for affordable letting activities</b>  | <b>1,559,921</b>                           | <b>8,428</b>                                      | <b>1,568,349</b>   | <b>1,590,189</b>               |
| <b>Operating surplus or deficit or affordable letting activities for previous reporting period as restated</b> | <b>1,561,637</b>                           | <b>28,552</b>                                     | <b>1,590,189</b>   |                                |



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

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

|   | Grants<br>From<br>Scottish<br>Ministers<br>£ | Other<br>revenue<br>grants<br>£ | Supporting<br>people<br>income<br>£ | Other<br>income<br>£ | Total<br>turnover<br>£ | Operating<br>costs<br>bad debts<br>£ | Other<br>operating<br>costs<br>£ | Operating<br>surplus or<br>deficit<br>£ | Operating<br>surplus or<br>deficit<br>for previous<br>reporting<br>period<br>£ |
|---|--|---------------------------------|-------------------------------------|----------------------|------------------------|--------------------------------------|----------------------------------|---|--|
| Support activities  | -  | 58,586                          | -                                   | 11,300               | 69,886                 | -                                    | 93,699                           | (23,813)                                | (7,576)  |
| Care and repair<br>Contracted out services<br>undertaken for other<br>organisations | -  | 78,860                          | -                                   | -                    | 78,860                 | -                                    | 78,790                           | 70                                      | -  |
| Developments and<br>construction of property<br>activities                          | -  | -                               | -                                   | 161,938              | 161,938                | -                                    | 162,137                          | (199)                                   | (157)  |
| Other activities  | -  | -                               | -                                   | -                    | -                      | -                                    | -                                | -                                       | 54,379   |
| <b>Total from other activities</b>  | -  | <b>137,446</b>                  | -                                   | <b>44,917</b>        | <b>44,917</b>          | -                                    | -                                | <b>44,917</b>                           | <b>50,327</b>  |
| <b>Total from other activities<br/>for the previous reporting<br/>period</b>        | -  | <b>160,324</b>                  | -                                   | <b>173,056</b>       | <b>333,380</b>         | -                                    | <b>236,407</b>                   | <b>96,973</b>                           | <b>96,973</b>  |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

5. KEY MANAGEMENT PERSONNEL

Key management personnel are defined as the members of the Board of Directors and Senior Management.

The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

|   | <b>2017</b>    | <b>2016</b>    |
|---|----------------|----------------|
|   | <b>No.</b>     | <b>No.</b>     |
| £70,001 to £80,000  | <u>1</u>       | <u>1</u>       |
| Aggregate emoluments for the above key management personnel (excluding pension contributions) | <u>75,918</u>  | <u>75,168</u>  |
| Pension contributions made on behalf of KMP with emoluments greater than £60,000              | <u>9,323</u>   | <u>9,231</u>   |
| Emoluments payable to Chief Executive (excluding pension contributions)                       | <u>75,918</u>  | <u>75,168</u>  |
| Total Compensation paid to key management personnel   | <u>283,008</u> | <u>262,510</u> |

6. EMPLOYEES

The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:

|                                      | <b>2017</b>    | <b>2016</b>    |
|--------------------------------------|----------------|----------------|
|                                      | <b>No.</b>     | <b>No.</b>     |
|                                      | <u>23</u>      | <u>21</u>      |
| Staff costs of the above were:       | <b>£</b>       | <b>£</b>       |
| Wages and salaries                   | 799,929        | 736,692        |
| Social security costs                | 81,176         | 58,848         |
| Other pension costs                  | 76,311         | 70,855         |
| Temporary, agency and seconded staff | 4,641          | 24,887         |
|                                      | <u>962,057</u> | <u>891,282</u> |

7. (LOSS)/GAIN ON DISPOSAL OF HOUSING STOCK

|  | <b>2017</b>     | <b>2016</b>     |
|--|-----------------|-----------------|
|  | <b>£</b>        | <b>£</b>        |
| Disposal proceeds                        | 73,766          | 85,263          |
| Carrying value of fixed assets           | <u>(93,733)</u> | <u>(79,270)</u> |
| (Loss)/gain on disposal of housing stock | <u>(19,967)</u> | <u>5,993</u>    |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

|    |                                    |                |                |
|----|------------------------------------|----------------|----------------|
| 8. | INTEREST PAYABLE & SIMILAR CHARGES | <b>2017</b>    | <b>2016</b>    |
|    |                                    | £              | £              |
|    | On bank loans                      | 483,936        | 612,120        |
|    |                                    | <u>483,936</u> | <u>612,120</u> |

|    |   |              |                          |
|----|---|--------------|--------------------------|
| 9. | OPERATING SURPLUS OR DEFICIT                            | <b>2017</b>  | <b>Restated<br/>2016</b> |
|    |   | £            | £                        |
|    | Operating surplus is stated after charging/(crediting): |              |                          |
|    | Depreciation – tangible owned fixed assets              | 1,021,741    | 998,661                  |
|    | Operating lease rentals – land & buildings              | -            | 22,952                   |
|    | Operating lease rentals - other                         | 2,901        | 2,523                    |
|    | (Gain) on disposal of fixed assets                      | <u>(285)</u> | <u>(25,712)</u>          |

Fees payable to RSM UK Audit LLP (2016: Alexander Sloan LLP) and their associates in respect of both audit and non-audit services are as follows:

|                                  |              |              |
|----------------------------------|--------------|--------------|
|                                  | <b>2017</b>  | <b>2016</b>  |
|                                  | £            | £            |
| Audit-related assurance services | 9,600        | 7,200        |
| All other non-audit services     | <u>5,778</u> | <u>3,604</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.

11. OTHER FINANCE CHARGES

|                                     |               |               |
|-------------------------------------|---------------|---------------|
|                                     | <b>2017</b>   | <b>2016</b>   |
|                                     | £             | £             |
| Unwinding of discounted liabilities | <u>19,799</u> | <u>11,220</u> |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

## 12. NON-CURRENT ASSETS

## a) Housing Properties

|   | Housing<br>Properties<br>Held for<br>Letting<br>£ | Housing<br>Properties<br>Under<br>Construction<br>£ | Total<br>£        |
|---|---|---|-------------------|
| <b>COST</b>                               |   |   |                   |
| As at 1 <sup>st</sup> April 2016          | 35,139,296  | -   | 35,139,296        |
| Additions                                 | 220,708   | 958,553   | 1,179,260         |
| Disposals                                 | (109,084)   | -   | (109,084)         |
| Impairment                                | (71,717)  | -   | (71,717)          |
| Transfer                                  | (62,727)  | 62,727  | -                 |
| As at 31 <sup>st</sup> March 2017         | <u>35,116,476</u>                                 | <u>1,021,280</u>                                    | <u>36,137,756</u> |
| <b>DEPRECIATION</b>                       |   |   |                   |
| As reported at 1 <sup>st</sup> April 2016 | 1,442,098   | -   | 1,442,098         |
| Prior period adjustment                   | 398,244   | -   | 398,244           |
| Restated as at 01 April 2016              | <u>1,840,342</u>                                  | <u>-</u>  | <u>1,840,342</u>  |
| Charge for the year                       | 936,191   | -   | 936,191           |
| Disposals                                 | (16,395)  | -   | (16,395)          |
| Transfer                                  | (3,826)   | 3,826   | -                 |
| As at 31 <sup>st</sup> March 2017         | <u>2,756,312</u>                                  | <u>3,826</u>  | <u>2,760,138</u>  |
| <b>NET BOOK VALUE</b>                     |   |   |                   |
| As at 31 <sup>st</sup> March 2017         | <u>32,360,164</u>                                 | <u>1,017,454</u>                                    | <u>33,377,617</u> |
| As at 31 <sup>st</sup> March 2016         | <u>33,697,198</u>                                 | <u>-</u>  | <u>33,697,198</u> |
| Restated as at 31 March 2016              | <u>33,298,954</u>                                 | <u>-</u>  | <u>33,298,954</u> |

Additions to housing properties include capitalised development administration costs of £Nil (2016 - £Nil) and captured major repair costs to existing properties of £Nil (2016 £ Nil).

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £659,283. The amount capitalised is £464,189 with the balance charged to the statement of comprehensive income. The amounts capitalised all relate to component replacements.

The Company's Lenders have standard securities over Housing Property with a carrying value of £28,114,604 (2016 - £29,069,073).

Included within Housing Properties Held for Letting is land held at £5,023,362 (2016: £5,012,983).

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

## 12. NON-CURRENT ASSETS (continued)

## b) Other Tangible Assets

|                                   | Computer<br>Premises<br>£ | Office &<br>Fittings<br>£ | Office<br>Premises<br>£ | Office<br>Furniture<br>&<br>Equipment<br>£ | Total<br>£ |
|-----------------------------------|---------------------------|---------------------------|-------------------------|--|------------|
| <b>COST</b>                       |                           |                           |                         |  |            |
| As at 1 <sup>st</sup> April 2016  | 173,287                   | 8,369                     | 1,307,464               | 35,330                                     | 1,524,450  |
| Additions                         | 5,557                     | 411                       | -                       | 606  | 6,574      |
| Disposals                         | (1,205)                   | -                         | -                       | -  | (1,205)    |
| As at 31 <sup>st</sup> March 2017 | 177,639                   | 8,780                     | 1,307,464               | 35,936                                     | 1,529,819  |
| <b>AGGREGATE DEPRECIATION</b>     |                           |                           |                         |  |            |
| As at 1 <sup>st</sup> April 2016  | 90,995                    | 1,711                     | 3,632                   | 4,097                                      | 100,435    |
| Charge for the year               | 35,528                    | 2,656                     | 43,582                  | 3,784                                      | 85,550     |
| Disposals                         | (1,490)                   | -                         | -                       | -  | (1,490)    |
| As at 31 <sup>st</sup> March 2017 | 125,033                   | 4,367                     | 47,214                  | 7,881                                      | 184,495    |
| <b>NET BOOK VALUE</b>             |                           |                           |                         |  |            |
| As at 31 <sup>st</sup> March 2017 | 52,606                    | 4,413                     | 1,260,250               | 28,055                                     | 1,345,324  |
| As at 31 <sup>st</sup> March 2016 | 82,292                    | 6,658                     | 1,303,832               | 31,233                                     | 1,424,015  |

## 13. INVESTMENTS

| Investments in Subsidiaries                                     | 2017<br>£ | 2016<br>£ |
|---|-----------|-----------|
| As at 31 <sup>st</sup> March 2017 & 31 <sup>st</sup> March 2016 | 100       | 100       |

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 Company has taken the exemption allowed in FRS102 (para 33.1A) from disclosing related party transactions with 100% owned subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

## 13. INVESTMENTS (continued)

The aggregate amount of capital and reserve and the results of the Atrium Initiatives for the year is :-

|                     | <b>2017</b> | <b>2016</b> |
|---------------------|-------------|-------------|
|                     | <b>£</b>    | <b>£</b>    |
| Capital & Reserves  | 101,952     | 111,588     |
| Profit for the year | 29,356      | 37,471      |

## 14. CAPITAL COMMITMENTS

|  | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements | 4,786,146   | 486,932     |

The above commitments will be financed by the following:

|                                 |                  |                |
|---------------------------------|------------------|----------------|
| Social housing grant receivable | 2,171,343        | -              |
| Private finance                 | 2,401,167        | -              |
| Own reserves                    | 213,636          | 486,932        |
|                                 | <u>4,786,146</u> | <u>486,932</u> |

## 15. COMMITMENTS UNDER OPERATING LEASES

|   | <b>2017</b>  | <b>2016</b>   |
|---|--------------|---------------|
|   | <b>£</b>     | <b>£</b>      |
| At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:- |              |               |
| No later than one year  | 2,707        | 2,707         |
| Later than one year and not later than five years   | 7,019        | 9,735         |
| Later than five years   | -            | -             |
|   | <u>9,726</u> | <u>12,442</u> |

## 16. DEBTORS

|   | <b>2017</b>    | <b>2016</b>    |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| <b>Amounts falling due within one year:</b> |                |                |
| Arrears of rent & service charges           | 191,405        | 167,461        |
| Less: provision for doubtful debts          | (103,623)      | (95,072)       |
|   | 87,782         | 72,389         |
| Social housing grant receivable             | 42,279         | 42,279         |
| Other debtors                               | 210,317        | 110,575        |
| Amounts due from group undertakings         | 109,694        | 171,099        |
|   | <u>450,072</u> | <u>396,342</u> |

**Amounts falling after more than one year:**

|                    | <b>2017</b> | <b>2016</b> |
|--------------------|-------------|-------------|
|                    | <b>£</b>    | <b>£</b>    |
| Loan to subsidiary | 125,494     | 133,032     |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

|     |  |                  |                  |
|-----|--|------------------|------------------|
| 17. | CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR |                  |                  |
|     |  | <b>2017</b>      | <b>2016</b>      |
|     |  | <b>£</b>         | <b>£</b>         |
|     | Housing loans (note 18)                        | 741,262          | 699,085          |
|     | Trade payables                                 | 408,228          | 27,890           |
|     | Rent in advance                                | 98,589           | 100,483          |
|     | Other taxation and social security             | 22,249           | 19,652           |
|     | Amounts due to group undertakings              | 89,757           | 118,602          |
|     | Other payables                                 | 4,453            | 3,033            |
|     | Accruals and deferred income                   | 238,520          | 309,147          |
|     |  | <u>1,603,058</u> | <u>1,277,892</u> |

At the balance sheet date there were pension contributions outstanding of £nil (2016 £nil)

|     |   |                   |                   |
|-----|---|-------------------|-------------------|
| 18. | CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR   |                   |                   |
|     |   | <b>2017</b>       | <b>2016</b>       |
|     |   | <b>£</b>          | <b>£</b>          |
|     | Deferred capital grant (note 20)                          | 1,121,083         | 68,098            |
|     | Housing loans   | 22,106,645        | 22,923,222        |
|     |   | <u>23,227,728</u> | <u>22,991,320</u> |
|     | Housing loans   |                   |                   |
|     | Amounts due within one year                               | 741,262           | 699,085           |
|     | Amounts due in one year or more but less than two years   | 752,381           | 710,769           |
|     | Amounts due in two years or more but less than five years | 2,245,141         | 1,924,774         |
|     | Amounts due in more than five years                       | 19,109,123        | 20,287,679        |
|     |   | <u>22,847,907</u> | <u>23,622,307</u> |
|     | Less: amount shown in current liabilities                 | 741,262           | 699,085           |
|     |   | <u>22,106,645</u> | <u>22,923,222</u> |

The Company has a number of long-term housing loans the terms and conditions of which are as follows:

| Lender     | Security   | Average Interest Rate | Interest Rate Ranges | Fixed Rate Expiring Between | Variable/Fixed |
|------------|--|-----------------------|----------------------|-----------------------------|----------------|
| RBS        | Standard security over 208 properties              | 2.47%                 | 1.28% - 3.28%        | 2020                        | Both           |
| Nationwide | Standard security over 762 properties and 99 units | 1.89%                 | 0.70% - 5.38%        | 2021                        | Both           |

All of the Company's bank borrowings are repayable in a monthly basis with the principle being amortised over the term of the loans.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28. 13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.06% (2016 – 2.29%)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

## 19. STATEMENT OF CASH FLOWS

|  | <b>2017</b>      | <b>2016</b>      |
|--|------------------|------------------|
|  | <b>£</b>         | <b>£</b>         |
| Reconciliation of operating surplus to net cash inflow from operating activities |                  |                  |
| Operating surplus  | 1,589,324        | 1,687,162        |
| Depreciation   | 1,021,740        | 987,694          |
| Amortisation of capital grants   | (1,174)          | (1,174)          |
| Change in debtors  | (53,580)         | (87,025)         |
| Change in creditors  | 286,856          | (17,467)         |
| (Gain) on disposal of fixed assets   | (285)            | (1,889)          |
| Impairment of housing properties   | 71,717           | -                |
| Pension deficit contributions paid   | (83,501)         | (83,855)         |
|  | <u>2,831,097</u> | <u>2,483,446</u> |
| Net Cash Inflow from Operating Activities  | <u>2,831,097</u> | <u>2,483,446</u> |

## 20. DEFERRED CAPITAL GRANT

|   | <b>2017</b>      | <b>2016</b>   |
|---|------------------|---------------|
|   | <b>£</b>         | <b>£</b>      |
| Social housing grants                               |                  |               |
| Balance as at 1 <sup>st</sup> April 2016            | 68,098           | 69,272        |
| Additions in the year                               | 1,054,159        | -             |
| Amortisation in the year                            | (1,174)          | (1,174)       |
|   | <u>1,121,083</u> | <u>68,098</u> |
| Balance as at 31 <sup>st</sup> March 2017           | <u>1,121,083</u> | <u>68,098</u> |
| Other grants  |                  |               |
| Balance as at 1 <sup>st</sup> April 2016            | -                | 22,900        |
| Released/ repaid as the result of property disposal | -                | (22,900)      |
|   | <u>-</u>         | <u>-</u>      |
| Balance as at 31 <sup>st</sup> March 2017           | <u>-</u>         | <u>-</u>      |
| Total   | <u>1,121,083</u> | <u>68,098</u> |

This is expected to be released to the Statement of Comprehensive Income in the following years:

|                                 | <b>2017</b>      | <b>2016</b>   |
|---------------------------------|------------------|---------------|
|                                 | <b>£</b>         | <b>£</b>      |
| Amounts due within one year     | 18,743           | 1,174         |
| Amounts due in one year or more | 1,102,340        | 66,924        |
|                                 | <u>1,121,083</u> | <u>68,098</u> |

## 21. PROVISIONS

|   | <b>Holiday Pay</b> | <b>SHAPS Pension</b> | <b>Total</b>   |
|---|--------------------|----------------------|----------------|
|   | <b>£</b>           | <b>£</b>             | <b>£</b>       |
| 1 April 2016                            | 17,081             | 560,206              | 577,287        |
| Utilised in the year                    | (17,081)           | -                    | (17,081)       |
| Additional provision in year            | 20,948             | -                    | 20,948         |
| Unwinding of discount                   | -                  | 10,850               | 10,850         |
| Reversed in year                        | -                  | (83,501)             | (83,501)       |
| Increase due to change in discount rate | -                  | 8,949                | 8,949          |
| 31 March 2017                           | <u>20,948</u>      | <u>496,504</u>       | <u>517,452</u> |



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

21. PROVISIONS (continued)

*Holiday Pay*

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the statutory cost payable for the period of absence.

*Pension*

The SHAPS provision represents the net present value of the commitment to the multi-employer pension scheme in respect of past deficits.

22. HOUSING STOCK

| The number of units of accommodation in management at the year end was:- | <b>2017</b>  | <b>2016</b>  |
|--|--------------|--------------|
|  | <b>No.</b>   | <b>No.</b>   |
| General needs – new build  | 329          | 330          |
| General needs – rehabilitation   | 770          | 772          |
| Supported housing  | 23           | 23           |
|  | <u>1,122</u> | <u>1,125</u> |

23. RELATED PARTY TRANSACTIONS

Members of the Board of Directors are related parties of the Company as defined by Financial Reporting Standard 102.

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.

During the year there were two tenant members of the Board. Transactions with tenant Board members during the year were as follows:

|                         | <b>2017</b> | <b>2016</b> |
|-------------------------|-------------|-------------|
|                         | <b>£</b>    | <b>£</b>    |
| Total rental charges    | 7,799       | 5,992       |
| Balance at the year end | <u>nil</u>  | <u>nil</u>  |

Board members received £142 in the year by way of reimbursement of expense (2016 - £464). No remuneration is paid to Board members in respect of their duties in the Company.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

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## 24. RETIREMENT BENEFIT OBLIGATIONS

*Scottish Housing Associations' Pension Scheme – Defined Benefit*

Atrium Homes participates in the Scottish Housing Associations' 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.

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 FRS 102 represents the employer contribution payable.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

*Deficit contributions*

|  |  |
|--|--|
| From 1 April 2017 to 28 February 2022: | £25,735,092 per annum (payable monthly, increasing by 3% each 1st April) |
| From 1 April 2017 to 30 June 2025:     | £727,217 per annum (payable monthly, increasing by 3% each 1st April)    |
| From 1 April 2017 to 31 October 2026:  | £1,239,033 per annum (payable monthly, increasing by 3% each 1st April)  |

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Based on the latest valuation the Scheme has provided the level of the contributions required to fund the past service deficit. Under the new proposals the Company will make payments of £97,244 from 1 April 2017. Payments are expected to increase by 3% per annum and continue until February 2022. Once finalised the proposals will replace the original plan which was expected to have lasted 10 years.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2017**

## 24. RETIREMENT BENEFIT OBLIGATIONS (continued)

All employer's in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £496,504 (2015 - £560,206). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 1.06% (2015: 2.29%).

The Company made payments totalling £83,501 (2016: £83,855) to the pension scheme during the year.

## 25. PRIOR PERIOD ADJUSTMENT

**A – Depreciation of Housing Properties**

The year ended 31 March 2016 was the first year reported under FRS 102. As part of the conversion to reporting under FRS 102 the Company took advantage of the exception within FRS 102 and revalued the housing properties, taking the balance as deemed cost. Whilst undertaking this exercise the useful lives of the properties and components were incorrectly reset, thus extending the useful lives beyond the reported period.

This error was identified during the year ended 31 March 2017 and corrected. The effect on the prior period balances has been detailed below.

## RECONCILIATION OF SERVICES

|                                 | Notes | 2016<br>£  | 2015<br>£  |
|---------------------------------|-------|------------|------------|
| Reserves as previously reported |       | 14,366,425 | 13,064,162 |
| Depreciation                    | A     | (398,244)  | (199,122)  |
| Reserves as restated            |       | 13,968,181 | 12,865,040 |

## RECONCILIATION OF SURPLUS

|                                | Notes | 2016<br>£ |
|--------------------------------|-------|-----------|
| Surplus as previously reported |       | 1,302,263 |
| Depreciation                   | A     | (199,122) |
| Surplus as restated            |       | 1,103,141 |