

**Atrium Homes**

**Report and Financial Statements**

**For the year ended 31 March 2019**

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**Registration Particulars:**

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

## Atrium Homes

### Board of Directors, Executives and Advisers For the year ended 31 March 2019

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#### Board of Directors

Joe Keen	Chairperson
Graham Piggott	Vice-Chairperson and Chair of Operations Sub-Committee
James O'Neill	Chair of the Investment Sub-Committee
Maire Coyle	Chair of the Finance, Audit and Staffing Sub-Committee
David Aitken	(resigned on 27 November 2018)
Ken Stewart	
Kara Alker	(resigned on 28 August 2018)
Mary Nilsen	(resigned on 26 November 2018)
Brian Woods	
Hugh McIntosh	(appointed on 28 August 2018)
Alistair Reid	(appointed on 27 November 2018)
David Sherlock	(appointed on 28 August 2018)

#### Executive Officers

Stephen Black	Chief Executive
Joyce McCroskie	Director of Operations
Celia Taylor	Director of Investment
Tom Jessop	Head of Corporate Services

#### Registered Office

14 Central Avenue  
Shortlees  
Kilmarnock  
KA1 4PS

#### Auditors

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 2019**

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The Board of Directors presents their report and audited financial statements for the year ended 31 March 2019. The Board of Directors have chosen to include the strategic report within their report in accordance with section 414C(11).

#### **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."

Our mission is that Atrium Homes is synonymous with quality affordable houses, sustainable communities and life chances for people. To achieve this the focus of the organisation is upon the following four, inter-connected elements:

- Taking Care of our Customers,
- Taking Care of our Houses,
- Taking Care of our Communities, and
- Taking Care of our Business.

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.

Since 2005, Atrium has pursued a strategy of prudently managed growth and as well as delivering core customer services, investing in stock and managing its financial health, Atrium has added to its portfolio through new build activity and selective acquisitions.

To support its developments, Atrium increased its borrowings via facilities with The Royal Bank of Scotland and Nationwide Building Society.

### **Financial and Operational Highlights**

The Company made a surplus of £912k (2018: £1,105k). The main source of income for the Company continued to be rental income from social lettings. This comprises 94.5% (2018: 93.6%) 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 in the year by £755k, due to positive operational performance. The level of cash held by the Company continues to be significantly above the minimum level required by the Treasury Management Policy. This level of cash is earmarked to fund future investment within our existing properties.

The SHAPS pension scheme had previously been treated as a defined contribution scheme in line with FRS 102 with a liability of £401k recognised as at 31<sup>st</sup> March 2018 based on the Net Present Value of the past service deficit funding agreement. Due to recent developments as at 1<sup>st</sup> April 2018 the share of assets and liabilities per employer is now available such that the scheme can now be accounted for on a defined benefit basis. Further detail in relation to this change in accounting is included in the accounting policy on page 24 and Note 24 to the financial statements.

The new defined benefit liability as at 1<sup>st</sup> April 2018 is £717k, resulting in a re-measurement through other comprehensive income of £316k. The new defined benefit liability as at 31<sup>st</sup> March 2019 is £877k. This has therefore resulted in an increase in the liability at 31 March 2019 of £160k. This change in treatment does not affect the cash outgoings of Atrium Homes and has no impact on our financial covenants.

In 2018 we had RSM (UK) Tax and Accounting Ltd conduct an independent review of the Atrium Group's compliance level with the Scottish Housing Regulator's Regulatory Standards of Governance and Financial Management, to give Board a level of assurance on our standing. The RSM (UK) report was presented to Board in March 2018 and Board noted their view that for Atrium Homes, there is generally good compliance and no areas for serious concern. The report made a number of recommendations and suggestions where improvements could be made within the Group and these were considered and acted upon over 2018-19.

Also in 2018, we finalised a major review of our Business Plan and related financial strategy. The reviewed Business Plan, based on a Customer First approach will see us delivering the Homes Fit for 21 Century Living Standard (HFF21CLS) to all our properties by 2025 as well as building up to 99 new houses. As part of this activity, we consulted our tenants on our proposals, including the projected impact on rents.

Making our staff and services more effective and flexible is going to be a key factor in the business going forward. We have reviewed the staffing structure needed to deliver the Business Plan and subsequently recruited the additional staff needed to implement the Plan. We have also reviewed our operational infrastructure to ensure it is flexible and will meet our needs.

Going forward, the organisation is focused on investment to existing properties and bringing all properties into line with Atrium's HFF21CLS. Work on this project has commenced in the final quarter of this year.

### **Future Prospects**

Atrium Homes continues to explore development opportunities that fit with the Company's objectives. Post year end work has commenced on the 2<sup>nd</sup> phase of new build development within Shortlees, once this is completed within the following financial year a further 19 units will be added to our stock levels.

**Future Prospects (continued)**

Atrium Homes will continue to explore stock growth, where there is an operational efficiency to be gained.

The organisation is working with partners to deliver on its vision of bringing all properties into line with HFF21CLS. Work on all properties is expected to take place between 2019/20 and 2023/24, ensuring this is a major area of focus for the organisation over the next few years.

We anticipate that funding for the proposed works will come from existing reserves, ongoing surpluses and future borrowings.

An important part of our activities involves keeping customers informed. We will develop the websites of Atrium Homes to make them more user friendly, interactive and informative to customers. We will aim to have a workable tenant portal available through which customers can access some core services on a 24/365 basis.

We see speed and ease of communication as being a vital element in the delivery of both core services and the HFF21CLS works so we will aim to make electronic communications routes with customers the norm.

**Governance**

Atrium Homes has continued to strengthen its governance arrangements within the year, with Board training and new appointments. Atrium Homes has actioned the points identified within its recent governance review.

**Risk Management Policy**

The Board has 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 has reviewed the adequacy of the Company's current internal controls.

The Board has 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.

The Board has identified the main areas of risk for the Company under the headings of Governance, Economic, Political, Reputational, Social Demographic, Technological and Competitiveness. Board have identified specific controls around these controls in order to mitigate the risk to an acceptable level, assurance is gained on the effectiveness of these controls through a combination of internal and external validations, these are reviewed by Board.

**Report of the Board of Directors  
For the year ended 31 March 2019**

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**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 has reviewed the results for this year and has reviewed the financial projections for the next 5 years. These include proposed development and improvement to current housing stock. The funding requirements required for this work have also been considered.

The Board has 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, it continues 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.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

By Order of the Board of Directors



**Stephen Black**  
**Company Secretary**

Date – 25<sup>th</sup> June 2019

**Statement of Board of Directors' Responsibilities  
For the year ended 31 March 2019**

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The Board of Directors is 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 it is 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 is 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.



**Board of Directors' Statement on Internal Control  
For the year ended 31 March 2019**

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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:

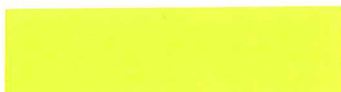
- the reliability of financial information used within the Company, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

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 2019. 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**

Date – 25<sup>th</sup> June 2019

## Atrium Homes

### Independent Auditors Report to the Members of Atrium Homes For the year ended 31 March 2019

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In addition to our audit of the Financial Statements, we have reviewed your statement on page 9 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 9 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.

A rectangular area of the document is redacted with a bright yellow highlight. To the left of the redaction, there is a handwritten signature in black ink.

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

Date 02/07/19

**Independent Auditors Report to the Members of Atrium Homes  
For the year ended 31 March 2019**

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**Opinion**

We have audited the financial statements of Atrium Homes (the 'Company') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Independent Auditors Report to the Members of Atrium Homes  
For the year ended 31 March 2019**

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

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

- the information given in the Report of the Board of Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board of Directors has 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 material misstatements in the Report of the Board of Directors.

We have nothing to report in respect of the following matters in relation to which 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Board of Directors.

**Responsibilities of the Board**

As explained more fully in the Statement of Board of Directors' Responsibilities set out on page 7, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Atrium Homes**

**Independent Auditors Report to the Members of Atrium Homes  
For the year ended 31 March 2019**

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**Use of our report**

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



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

Date 02/07/19

## Atrium Homes

### Statement of Comprehensive Income For the year ended 31 March 2019

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	Notes	2019 £	2018 £
REVENUE	2	5,529,282	5,193,406
Operating costs	2	<u>(4,094,120)</u>	<u>(3,650,462)</u>
OPERATING SURPLUS	9	1,435,162	1,542,944
Loss on disposal of housing stock	7	(20,334)	-
Interest receivable and other income		12,071	17,480
Interest receivable from group undertakings		2,452	2,604
Interest payable and similar charges	8	(499,725)	(453,301)
Other finance charges	11	<u>(18,000)</u>	<u>(4,233)</u>
<b>SURPLUS FOR THE YEAR</b>		<u>911,626</u>	<u>1,105,494</u>

All amounts relate to continuing operations.

The accompanying notes form part of these financial statements.

Atrium Homes

Statement of Other Comprehensive Income  
For the year ended 31 March 2019

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	Notes	2019 £	2018 £
Surplus for the year		911,626	1,105,494
Initial recognition of multi-employer defined benefit liability	24	(316,173)	-
Actuarial loss in respect of pension scheme	24	(173,000)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>422,453</u>	<u>1,105,494</u>

**Statement of Financial Position**  
**As at 31 March 2019**

	Notes	2019 £	2018 £
<b>NON CURRENT ASSETS</b>			
Housing properties – depreciated cost	12(a)	35,987,954	36,885,236
Other non-current assets	12(b)	1,306,905	1,262,844
		<u>37,294,859</u>	<u>38,148,080</u>
Investments in subsidiaries	13	100	100
Debtors: amounts falling due after more than one year	16	109,958	117,804
<b>CURRENT ASSETS</b>			
Debtors	16	376,023	553,160
Cash and cash equivalents		4,773,750	4,019,094
		<u>5,149,773</u>	<u>4,572,254</u>
Creditors: amounts falling due within one year	17	(1,258,271)	(1,636,586)
		<u>3,891,502</u>	<u>2,935,668</u>
<b>NET CURRENT ASSETS</b>			
		<u>41,296,419</u>	<u>41,201,652</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Creditors: amounts falling due after more than one year	18	(23,807,675)	(24,613,182)
Pension liability:			
Deficit funding provision	21	-	(400,832)
Defined benefit net liabilities	24	(877,000)	-
Provisions	21	(25,868)	(24,215)
		<u>16,585,876</u>	<u>16,163,423</u>
<b>TOTAL NET ASSETS</b>			
<b>EQUITY</b>			
Revenue reserve		9,556,675	9,152,591
Revaluation reserve		7,029,201	7,010,832
		<u>16,585,876</u>	<u>16,163,423</u>

These financial statements have been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption

The financial statements were approved by the Board of Directors and authorised for issue and signed on their behalf on 25<sup>th</sup> June 2019.

**Chairperson**  
**Joe Keen**

**Vice Chairperson**  
**Graham Piggott**

**Secretary**  
**Stephen Black**



Atrium Homes

**Statement of Changes in Reserves  
For the year ended 31 March 2019**

	Notes	Revaluation reserve £	Revenue reserve £	Total £
<b>Balance at 1 April 2017</b>		<b>7,135,951</b>	<b>7,921,978</b>	<b>15,057,929</b>
Transfer from revaluation reserve		(125,119)	125,119	
Surplus for the year		-	1,105,494	1,105,494
<b>Balance at 31 March 2018</b>		<b>7,010,832</b>	<b>9,152,591</b>	<b>16,163,423</b>
Transfer from revaluation reserve		18,369	(18,369)	-
Surplus for the year		-	911,626	911,626
Other comprehensive income		-	(489,173)	(489,173)
<b>Balance at 31 March 2019</b>		<b>7,029,201</b>	<b>9,556,675</b>	<b>16,585,876</b>

**Atrium Homes****Statement of Cash Flows  
For the year ended 31 March 2019**

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	<b>Notes</b>	<b>2019 £</b>	<b>2018 £</b>
Net cash generated from operating activities	19	2,577,131	2,282,775
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition and construction of properties		(416,935)	(4,445,361)
Purchase of other fixed assets		(109,178)	(3,824)
Social housing grant received		224,318	2,305,221
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>		<u>(301,795)</u>	<u>(2,143,964)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest received on cash and cash equivalents		14,523	20,084
Interest paid on loans		(499,725)	(453,301)
Loan principal repayments		(1,035,478)	(794,060)
<b>NET CASH (USED IN) FINANCING ACTIVITIES</b>		<u>(1,520,680)</u>	<u>(1,227,277)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		754,656	(1,088,466)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		4,019,094	5,107,560
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>4,773,750</u>	<u>4,019,094</u>

The accompanying notes form part of these financial statements.

**ACCOUNTING POLICIES (continued)**  
**For the year ended 31 March 2019**

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1. ACCOUNTING POLICIES

LEGAL STATUS

The Company is registered as a company limited by guarantee under the Companies Act 2006 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.

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 2019, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

The company is a Public Benefit Entity (PBE).

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 2019**

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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 are reviewed annually for indicators of 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. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 24).

*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

The Board has reviewed the results for this year and has reviewed the financial projections for the next 5 years. These include proposed development and improvement to current housing stock. The funding requirements required for this work have also been considered. 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 2019**

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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.

Exploratory costs for prospective developments have not been capitalised and are expensed to the Statement of Comprehensive income in the year incurred.

**ACCOUNTING POLICIES (continued)**  
**For the year ended 31 March 2019**

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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 2019**

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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	33%

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 2019**

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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).

In previous years, the Company was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHAPS. For the year ended 31 March 2018, the Company had recognised a past service deficit liability of £401k, within provisions, based on the present value of the Association's deficit funding agreement.

For the year ended 31 March 2019, the Company is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within *provisions* of £401k was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £717k was recognised at this date in the statement of financial position. The resulting net difference of £316k on initial recognition of the SHAPS obligation was recognised in other comprehensive income.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £877k, which has been included within the pensions liability in the financial statements.

In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 24 for more details.

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.



**ACCOUNTING POLICIES (continued)**  
**For the year ended 31 March 2019**

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1. ACCOUNTING POLICIES (continued)

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.

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 2019**

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

	Notes	Turnover £	Operating costs £	2019 Operating surplus/(deficit) £	2018 Operating surplus/(deficit) £
Affordable letting activities	3	5,224,769	3,793,240	1,431,529	1,574,666
Other activities	4	304,513	300,880	3,633	(31,722)
<b>Total</b>		<b>5,529,282</b>	<b>4,094,120</b>	<b>1,435,162</b>	<b>1,542,944</b>
<b>Total for previous reporting period as restated</b>		<b>5,193,406</b>	<b>3,650,462</b>	<b>1,542,944</b>	

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

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

	General Needs Social Housing £	Supported Social Housing Accommodation £	Total 2019 £	Total 2018 £
<b>Revenue from Lettings</b>				
Rent receivable net of service charges	5,172,908	56,574	5,229,482	4,913,176
Service charges	12,221	-	12,221	2,194
Gross income from rents and service charges	5,185,129	56,574	5,241,703	4,915,370
Less voids	89,530	331	89,861	60,902
<b>Net income from rents and service charges</b>	<b>5,095,599</b>	<b>56,243</b>	<b>5,151,842</b>	<b>4,854,468</b>
Grants released from deferred income	59,928	-	59,928	5,170
Revenue grants from Scottish Ministers	12,999	-	12,999	-
<b>Total turnover from affordable letting activities</b>	<b>5,168,526</b>	<b>56,243</b>	<b>5,224,769</b>	<b>4,859,638</b>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	1,067,034	24,338	1,091,372	957,460
Planned and cyclical maintenance including major repairs costs	351,042	534	351,576	301,954
Reactive maintenance costs	977,522	7,613	985,135	1,027,749
Bad debts - rents and service charges	71,274	-	71,274	63,082
Depreciation of affordable let properties	1,086,524	12,166	1,098,690	934,727
Impairment of Social Housing	195,193	-	195,193	-
<b>Operating Costs for affordable letting activities</b>	<b>3,748,589</b>	<b>44,651</b>	<b>3,793,240</b>	<b>3,284,972</b>
<b>Operating surplus or deficit for affordable letting activities</b>	<b>1,419,937</b>	<b>11,592</b>	<b>1,431,529</b>	<b>1,574,666</b>
<b>Operating surplus or deficit or affordable letting activities for previous reporting period as restated</b>	<b>1,565,111</b>	<b>9,555</b>	<b>1,574,666</b>	

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 March 2019

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	Other operating costs	Operating surplus or deficit	Operating surplus or deficit for previous reporting period
	£	£	£	£	£	£	£	£	£
Support activities	-	-	-	11,486	11,486	-	37,029	(25,543)	(17,354)
Care and repair	-	-	-	-	-	-	114,046	(10,976)	(5,060)
Contracted out services undertaken for other organisations	-	103,070	-	-	103,070	-	-	-	-
Development and construction of property activities	-	-	-	141,390	141,390	-	140,484	906	(473)
Other activities - Big Lottery	-	-	-	-	-	-	-	-	(50,755)
Shortlees entrance feature	-	6,966	-	-	6,966	-	6,945	21	-
Other activities – Digital participation	-	2,188	-	-	2,188	-	2,376	(188)	-
Other activities	-	-	-	39,413	39,413	-	-	39,413	41,920
<b>Total from other activities</b>	-	<b>112,224</b>	-	<b>192,289</b>	<b>304,513</b>	-	<b>300,880</b>	<b>3,633</b>	<b>(31,722)</b>
<b>Total from other activities for the previous reporting period</b>	-	<b>122,924</b>	-	<b>210,844</b>	<b>333,768</b>	<b>6,566</b>	<b>358,924</b>	<b>(31,722)</b>	

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

5. KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) 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>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	2	2
£70,001 to £80,000	-	1
£80,001 to £90,000	1	-
	<u>331,478</u>	<u>314,547</u>
Aggregate emoluments for the key management personnel:		
Wages and salaries	271,561	257,869
Pension contributions	26,919	25,570
Social security costs	32,998	31,108
	<u>331,478</u>	<u>314,547</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>83,256</u>	<u>79,128</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>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
	<u>24</u>	<u>24</u>
Staff costs of the above were:	<b>£</b>	<b>£</b>
Wages and salaries	927,177	899,159
Social security costs	98,833	92,959
Other pension costs	147,954	78,132
	<u>1,173,964</u>	<u>1,070,250</u>

7. LOSS ON DISPOSAL OF HOUSING STOCK

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Disposal proceeds	-	-
Carrying value of fixed assets disposed of	<u>20,334</u>	<u>-</u>
Loss on disposal of housing stock	<u>20,334</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

8.	INTEREST PAYABLE & SIMILAR CHARGES	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	On bank loans	499,725	453,301

9.	OPERATING SURPLUS OR DEFICIT	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	Operating surplus is stated after charging/(crediting):		
	Depreciation – tangible owned fixed assets	1,163,806	1,021,031
	Operating lease rentals - other	4,160	2,516

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Audit-related assurance services	10,320	9,960
All other non-audit services	19,980	11,184

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>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	Unwinding of discounted liabilities	-	4,233
	Pension scheme interest cost	18,000	-
		18,000	4,233

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

## 12. NON-CURRENT ASSETS

## a) Housing Properties

	<b>Housing Properties Held for Letting £</b>	<b>Housing Properties Under Construction £</b>	<b>Total £</b>
<b>COST</b>			
As at 1 <sup>st</sup> April 2018	40,571,944	-	40,571,944
Additions	228,337	188,598	416,935
Disposals	(33,534)	-	(33,534)
As at 31 <sup>st</sup> March 2019	<u>40,766,747</u>	<u>188,598</u>	<u>40,955,345</u>
<b>DEPRECIATION</b>			
As at 1 <sup>st</sup> April 2018	3,686,708	-	3,686,708
Charge for the year	1,098,690	-	1,098,690
Disposals	(13,200)	-	(13,200)
Impairment	195,193	-	195,193
As at 31 <sup>st</sup> March 2019	<u>4,967,391</u>	<u>-</u>	<u>4,967,391</u>
<b>NET BOOK VALUE</b>			
As at 31 <sup>st</sup> March 2019	<u>35,799,356</u>	<u>188,598</u>	<u>35,987,954</u>
As at 31 <sup>st</sup> March 2018	<u>36,885,236</u>	<u>-</u>	<u>36,885,236</u>

Additions to housing properties include capitalised development administration costs of £Nil (2018 - £Nil) and capitalised major repair costs to existing properties of £75,733 (2018 £ Nil).

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £1,174,757. The amount capitalised is £278,891 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 £27,021,266 (2018 - £27,695,399).

Included within Housing Properties Held for Letting is land held at £5,899,535 (2018: £5,081,360).

During the year 8 units were earmarked for demolition as part of a wider development strategy. With the exception of the land, all components of these units have been fully impaired in the year. The demolition of these units commenced post year end.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

## 12. NON-CURRENT ASSETS (continued)

## b) Other Tangible Assets

	<b>Computer Premises £</b>	<b>Office Equipme nt £</b>	<b>Office Premises £</b>	<b>Office Furniture &amp; Fittings £</b>	<b>Total £</b>
<b>COST</b>					
As at 1 <sup>st</sup> April 2018	178,304	11,939	1,307,464	35,936	1,533,643
Additions	35,316	1,854	71,702	306	109,178
As at 31 <sup>st</sup> March 2019	213,620	13,793	1,379,166	36,242	1,642,821
<b>AGGREGATE DEPRECIATION</b>					
As at 1 <sup>st</sup> April 2018	160,583	7,755	90,796	11,665	270,799
Charge for the year	13,264	3,230	44,808	3,815	65,117
As at 31 <sup>st</sup> March 2019	173,847	10,985	135,604	15,480	335,916
<b>NET BOOK VALUE</b>					
As at 31 <sup>st</sup> March 2019	39,773	2,808	1,243,562	20,762	1,306,905
As at 31 <sup>st</sup> March 2018	17,721	4,184	1,216,668	24,271	1,262,844

## 13. INVESTMENTS

Investments in Subsidiaries	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
As at 31 <sup>st</sup> March 2019 and 31 <sup>st</sup> March 2018	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 (14 Central Avenue, Kilmarnock, KA1 4PS). 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 2019**

## 13. INVESTMENTS (continued)

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

	2019 £	2018 £
Capital & Reserves	105,874	104,310
Profit for the year	40,976	46,132

## 14. CAPITAL COMMITMENTS

	2019 £	2018 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	4,521,235	67,669

The above commitments will be financed by the following:

Social housing grant receivable	2,384,869	67,669
Private finance	2,015,883	-
Own reserves	120,483	-
	4,521,235	67,669

## 15. COMMITMENTS UNDER OPERATING LEASES

	2019 £	2018 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows: -		
No later than one year	4,211	4,143
Later than one year and not later than five years	3,798	7,873
	8,009	12,016

## 16. DEBTORS

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Arrears of rent & service charges	267,320	220,990
Less: provision for doubtful debts	(145,909)	(117,712)
	121,411	103,278
Other debtors	173,762	177,979
Amounts due from group undertakings	80,850	271,903
	376,023	553,160

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

	2019 £	2018 £
Loan to subsidiary	109,958	117,804

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

17.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	Housing loans (note 18)	706,925	797,025
	Trade payables	69,512	92,748
	Rent in advance	91,635	88,461
	Other taxation and social security	27,908	23,862
	Amounts due to group undertakings	-	186,982
	Other payables	33,201	25,450
	Deferred capital grant (note 20)	60,902	57,164
	Accruals and deferred income	268,188	364,894
		<u>1,258,271</u>	<u>1,636,586</u>

At the balance sheet date there were pension contributions outstanding of £23,696 (2018 £21,010).

18.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	Deferred capital grant (note 20)	3,524,617	3,363,965
	Housing loans	20,283,058	21,249,217
		<u>23,807,675</u>	<u>24,613,182</u>
	Housing loans		
	Amounts due within one year	706,925	797,025
	Amounts due in one year or more but less than two years	723,895	801,360
	Amounts due in two years or more but less than five years	2,172,357	2,377,801
	Amounts due in more than five years	17,386,806	18,070,056
		<u>20,989,983</u>	<u>22,046,242</u>
	Less: amount shown in current liabilities	(706,925)	(797,025)
		<u>20,283,058</u>	<u>21,249,217</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	3.15%	1.7% - 6.24%	2021	Both
Nationwide	Standard security over 762 properties and 99 units	1.66%	0.95% - 3.79%	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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

## 19. STATEMENT OF CASH FLOWS

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Reconciliation of operating surplus to net cash inflow from operating activities:		
Operating surplus	1,357,162	1,542,944
Depreciation	1,163,806	1,021,031
Amortisation of capital grants	(59,928)	(5,170)
Amortisation of loan	48,855	-
Change in debtors	184,983	(98,060)
Change in creditors	(359,940)	(77,710)
(Gain)/Loss on disposal of fixed assets	-	(3,016)
Impairment of housing properties	195,193	-
Current service cost less deficit contributions paid	47,000	
Pension deficit contributions paid	-	(97,244)
	<u>2,577,131</u>	<u>2,282,775</u>
Net Cash Inflow from Operating Activities	<u>2,577,131</u>	<u>2,282,775</u>

## 20. DEFERRED CAPITAL GRANT

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Social housing grants		
Balance as at 1 <sup>st</sup> April 2018	3,421,129	1,121,083
Additions in the year	224,318	2,305,216
Amortisation in the year	(59,928)	(5,170)
	<u>3,585,519</u>	<u>3,421,129</u>
Balance as at 31 <sup>st</sup> March 2019	<u>3,585,519</u>	<u>3,421,129</u>

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Amounts due within one year	60,902	57,164
Amounts due in one year or more	3,524,617	3,363,965
	<u>3,585,519</u>	<u>3,421,129</u>

## 21. PROVISIONS

	<b>Holiday Pay</b>	<b>Pension Provision</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
1 April 2018	24,215	400,832	425,047
Utilised in the year	(24,215)	-	(24,215)
Released in the year	-	(400,832)	(400,832)
Additional provision in year	25,868	-	25,868
31 March 2019	<u>25,868</u>	<u>-</u>	<u>25,868</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

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.

22. HOUSING STOCK

The number of units of accommodation in management at the year-end was: -

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
General needs – new build	372	372
General needs – rehabilitation	781	787
Supported housing	13	13
Held for demolition	8	-
	<u>1,174</u>	<u>1,172</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 no tenant members of the Board (2018: two). Transactions with tenant Board members during the year were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Total rental charges	-	7,592
Balance at the year end	-	(400)

Board members received £nil in the year by way of reimbursement of expenses (2018 - £762). 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 2019**

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.

For the year ended 31 March 2018, the SHAPS obligation was being accounting for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHAPS under the terms of its funding agreement for past deficits was recognised as a liability within provisions in the Company's financial statements. The net present value for this contractual obligation was £401k.

For the year ended 31 March 2019, sufficient information is available for the Company in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2015 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 1 April 2018 is £717k and is £877k as at 31 March 2019.

The proposals set out in FRED 71 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a re-measurement difference of £316k, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

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:

<i>Deficit contributions</i>	
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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

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 £100,161 from 1 April 2019. 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.

**PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)**

	<b>2019</b>	<b>2018</b>
	<b>£000s</b>	<b>£000s</b>
Fair value of plan assets	3,949	3,538
Present value of defined benefit obligation	4,826	4,255
Surplus (deficit) in plan	(877)	(717)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(877)	(717)
Deferred tax	-	-
	<hr/>	<hr/>
Net defined benefit asset (liability) to be recognised	<u>(877)</u>	<u>(717)</u>

**RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION**

	<b>2019</b>
	<b>£000s</b>
Defined benefit obligation at start of period	4,255
Current service cost	145
Expenses	3
Interest expense	112
Contributions by plan participants	68
Actuarial losses (gains) due to scheme experience	(55)
Actuarial losses (gains) due to changes in demographic assumptions	12
Actuarial losses (gains) due to changes in financial assumptions	317
Benefits paid and expenses	(31)
	<hr/>
Defined benefit obligation at end of period	<u>4,826</u>

**RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS**

	<b>2019</b>
	<b>£000s</b>
Fair value of plan assets at start of period	3,538
Interest income	94
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	101
Contributions by the employer	179
Contributions by plan participants	68
Benefits paid and expenses	(31)
	<hr/>
Defined benefit obligation at end of period	<u>3,949</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £195,000.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

## 24. RETIREMENT BENEFIT OBLIGATIONS (continued)

## DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOI)

	<b>2019</b> <b>£000s</b>
Current service cost	145
Expenses	3
Net interest expense	18
	<hr/>
Defined benefit costs recognised in statement of comprehensive income (SOI)	166
	<hr/> <hr/>

## DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	<b>2019</b> <b>£000s</b>
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	101
Experience gains and losses arising on the plan liabilities - gain (loss)	55
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(12)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(317)
	<hr/>
Total amount recognised in other comprehensive income - gain (loss)	(173)
	<hr/> <hr/>

## ASSETS

	<b>2019</b> <b>£000s</b>	<b>2018</b> <b>£000s</b>
Absolute return	335	420
Alternative Risk Premia	221	134
Corporate Bond Fund	277	247
Credit Relative Value	69	-
Distressed Opportunities	67	16
Emerging Markets Debt	127	121
Fund of Hedge Funds	11	102
Global Equity	635	636
Infrastructure	166	64
Insurance-Linked Securities	102	97
Liability Driven Investment	1,405	1,245
Long Lease Property	48	-
Net Current Assets	4	7
Over 15 Year Gilts	101	114
Private Debt	51	33
Property	78	140
Risk Sharing	114	32
Secured Income	138	130
	<hr/>	<hr/>
Total Assets	3,949	3,538
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

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24. RETIREMENT BENEFIT OBLIGATIONS (continued)

KEY ASSUMPTIONS

	<b>2019</b>	<b>2018</b>
	<b>% per</b>	<b>% per</b>
	<b>annum</b>	<b>annum</b>
Discount rate	2.31%	2.58%
Inflation (RPI)	3.29%	3.18%
Inflation (CPI)	2.29%	2.18%
Salary Growth	3.29%	3.18%
Allowance for commutation of pension for cash at retirement	75% of	75% of
	<u>maximum</u>	<u>maximum</u>

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	<b>Life</b>
	<b>expectancy</b>
	<b>at age 65</b>
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	<u>24.7</u>