

Company Registration No: SC190351

Atrium Homes

Report and Financial Statements

For the year ended 31 March 2021

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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 2021

Board of Directors

| | |
|-----------------|---|
| Joe Keen | Chairperson |
| Graham Piggott | |
| James O'Neill | Convenor of the Investment Sub-Committee |
| Maire Coyle | |
| Kenneth Stewart | |
| Alistair Reid | Vice-Chairperson and Convenor of Operations Sub-Committee |
| David Sherlock | |
| Angela Milloy | (resigned on 27 October 2020) |
| Kenneth Tudhope | Convenor of the Finance, Audit and Staffing Sub-Committee |
| Steven Fraser | (appointed on 26 May 2020) |
| Carolyn Hope | (appointed on 26 May 2020) |
| Keith Henderson | (appointed on 23 February 2021) |

Executive Officers

| | |
|-----------------|--------------------------------------|
| Stephen Black | Chief Executive |
| Joyce McCroskie | Director of Operations |
| Celia Taylor | Director of Investment |
| Valerie Wilson | Head of Finance & Corporate Services |

Registered Office

14 Central Avenue
Shortlees
Kilmarnock
KA1 4PS

Auditors

RSM UK Audit LLP
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Internal Auditors

BDO LLP
4 Atlantic Quay
70 York Street
Glasgow
G2 8JX

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 2021

The Board of Directors presents their report and audited financial statements for the year ended 31 March 2021. 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.

Atrium Homes

Report of the Board of Directors For the year ended 31 March 2021

Financial and Operational Highlights

The Company made a surplus of £1,156k (2020: £791k). The main source of income for the Company continued to be rental income from social lettings. This comprises 94.7% (2020: 94.9%) of total income received in the year.

Atrium Homes continues to grow its balance sheet and as a result reduce the level of gearing. Cash balances have decreased in the year by £3,800k, mainly due to repayment of loan funds. 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. This investment has been delayed by the COVID-19 pandemic and resulting lockdowns and restrictions.

The defined benefit liability as at 31 March 2021 is £509k (2020: £90k). This has therefore resulted in an increase in the liability at 31 March 2021 of £419k. This increase in liability is due to market conditions at year end, particularly lower discount rate and higher inflation rate assumptions. A strong asset performance offset some of the increase in liabilities. This change in value does not affect the cash outgoings of Atrium Homes and has no impact on our financial covenants.

In 2021, we continued to work on the Business Plan, based on a Customer First approach and which 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, although progress was severely impacted by the COVID-19 pandemic.

During the year we delivered improvements to 40 void properties as part of the HFF21CLS project. The tenant response to this work was very positive. The project is currently paused due to the COVID-19 pandemic but we are actively planning for the restart of these works and, where possible, the catch up of the programme.

In July 2019, work commenced on the 2nd phase of new build development in Shortlees at Sunnyside Square West. This site was completed in November 2021, following delays due to the pandemic, adding a further 27 units to Atrium Homes' stock levels.

Future Prospects

Atrium Homes continues to explore development opportunities that fit with the Company's objectives and are updating and launching the Business Plan for 2021-26.

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

An important part of our activities involves keeping customers informed. We have developed the website of Atrium Homes to make it more user friendly, interactive and informative to customers. A Tenant Portal and app was developed and launched in late 2020. Through this portal customers are able to access some core services on a 24/365 basis, and the development of further functionality within this portal will continue.

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. We will build on the lessons learned during the pandemic when in person delivery of services was not possible.

Governance

Atrium Homes has continued to strengthen its governance arrangements within the year, with Board training, and new appointments. Atrium Homes Board was again able to present a positive Annual Assurance Statement to the Scottish Housing Regulator by 31 October 2020.

Atrium Homes

Report of the Board of Directors For the year ended 31 March 2021

We welcomed some new Board members during the year, replacing those who had stood down. We continue to focus on succession planning to ensure our governing body has the necessary blend of skills and experience to discharge its duties.

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. The 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 the Board.

Internal Audit

In the course of the year we reviewed our internal audit arrangements and appointed BDO LLP as internal auditors until 2023.

As part of its initial programme of activity BDO LLP reviewed our approaches to Risk Management, Governance and Treasury Management, providing reassurance to Board that controls in all three areas were adequate. A number of suggestions for strengthening our approach in each of these areas have been adopted and will be implemented as part of our ongoing commitment to improvement.

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 organisation's financial projections are being reviewed regularly and stress tested as we continue to deal with the impacts of the coronavirus pandemic. This has included consideration of the impact on lender covenants due to the desired catch up of delayed investment programmes, an increase in the number of void properties and an increase in the levels of arrears and bad debts.

Investment in our properties as part of the HFF21CLS programme has been severely delayed by the pandemic. The organisation is working with its lenders to agree relaxation of covenants to allow the catch up of this work in the next 3 years.

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.

Atrium Homes

Report of the Board of Directors For the year ended 31 March 2021

COVID-19

During the pandemic crisis, the focus of the organisation has been to protect the wellbeing of customers and staff whilst continuing to deliver services to and supporting tenants.

Following Government advice, the Atrium Homes' office has been closed to the public and staff have been working from home, to some extent, since Tuesday 24th March 2020. Previous development work on our ICT infrastructure helped minimise the impact of this and we have been able to maintain some core services such as money advice and debt management throughout. Staff are able to work from home using secure remote connection facilities and the Board has continued to meet virtually throughout the pandemic.

During lockdown, we have been operating an emergency only repairs service for occupied properties, and extended this to routine repairs when possible under Scottish Government guidance.

We have been liaising with our contractors during lockdown and continue to monitor the situation closely as we begin to come out of it.

During the year a number of staff whose work had been halted, or restricted, due to the coronavirus lock down and who couldn't be diverted to other areas were fully or partially furloughed under the Job Retention Scheme.

The organisation is continuing to follow Government advice and will resume full customer facing services as soon as it is safe to do so. Financial forecasts continue to be reviewed, monitored and tested and the Board remain confident that resources are adequate for the Company to meet its liabilities as they fall due for the foreseeable future.

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 tender exercise for the appointment of auditors for the year ended 31 March 2022 is being undertaken. RSM UK Audit LLP have declined to take part.

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 22 July 2021

Atrium Homes

**Statement of Board of Directors' Responsibilities
For the year ended 31 March 2021**

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. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Atrium Homes website. 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 2021

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 2021. 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 22 July 2021

Atrium Homes

Independent Auditors Report to the Members of Atrium Homes For the year ended 31 March 2021

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.

RSM UK AUDIT LLP

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

Date 23 July 2021

Atrium Homes

Independent Auditors Report to the Members of Atrium Homes For the year ended 31 March 2021

Opinion

We have audited the financial statements of Atrium Homes (the 'company') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Other Comprehensive Income, the Statement of Changes in Reserves, the Statement of Cashflows and notes to the financial statements, including 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 2021 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

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect of going concern are described in the relevant sections of this report.

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 2021**

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report 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 Board's report.

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 Board was not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Board's report.

Responsibilities of Board

As explained more fully in the statement of Board's responsibilities statement set out on page 8, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement

Atrium Homes

Independent Auditors Report to the Members of Atrium Homes For the year ended 31 March 2021

of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006, Housing SORP 2018, the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019 and the Housing (Scotland) Act 2010. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included, reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Housing (Scotland) Acts 2006 and 2014, the Scottish Housing Regulator's Regulatory Framework (published 2019) and the Public Services Reform (Scotland) Act 2010. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

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.

Atrium Homes

**Independent Auditors Report to the Members of Atrium Homes
For the year ended 31 March 2021**

RSM UK AUDIT LLP

Christopher Docherty BA (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: 23 July 2021

Atrium Homes

Statement of Comprehensive Income
For the year ended 31 March 2021

| | Notes | 2021 £ | 2020 £ |
|---|-------|--------------------|--------------------|
| REVENUE | 2 | 5,785,675 | 5,662,721 |
| Other Operating Income | 3 | 60,999 | - |
| Operating costs | 2 | <u>(4,191,863)</u> | <u>(4,355,247)</u> |
| OPERATING SURPLUS | 9 | 1,654,811 | 1,307,474 |
| Loss on disposal of housing stock | 7 | (104,962) | (6,242) |
| Interest receivable and other income | | 13,838 | 33,999 |
| Interest receivable from group undertakings | | 2,139 | 2,297 |
| Interest payable and similar charges | 8 | (409,583) | (526,024) |
| Other finance charges | 11 | <u>-</u> | <u>(21,000)</u> |
| SURPLUS FOR THE YEAR | | <u>1,156,243</u> | <u>790,504</u> |

The accompanying notes form part of these financial statements.

Atrium Homes

Statement of Other Comprehensive Income
For the year ended 31 March 2021

| | Notes | 2021 £ | 2020 £ |
|--|-------|----------------|------------------|
| Surplus for the year | | 1,156,243 | 790,504 |
| Actuarial gain/(loss) in respect of pension scheme | 24 | (613,000) | 796,000 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>543,243</u> | <u>1,586,504</u> |

Statement of Financial Position
As at 31 March 2021

| | Notes | 2021 £ | 2020 £ |
|---|-------|-------------------|-------------------|
| NON CURRENT ASSETS | | | |
| Housing properties – depreciated cost | 12(a) | 39,164,200 | 38,679,839 |
| Other non-current assets | 12(b) | 1,209,934 | 1,276,908 |
| | | <u>40,374,134</u> | <u>39,956,747</u> |
| Investments in subsidiaries | 13 | 100 | 100 |
| Debtors: amounts falling due after more than one year | 16 | 93,790 | 101,955 |
| CURRENT ASSETS | | | |
| Debtors | 16 | 472,119 | 412,385 |
| Cash and cash equivalents | | 4,544,526 | 8,344,105 |
| | | <u>5,016,645</u> | <u>8,756,490</u> |
| Creditors: amounts falling due within one year | 17 | (1,518,768) | (2,307,333) |
| NET CURRENT ASSETS | | <u>3,497,877</u> | <u>6,449,157</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>43,965,901</u> | <u>46,507,959</u> |
| Creditors: amounts falling due after more than one year | 18 | (24,704,748) | (28,227,515) |
| Pension liability: Defined benefit net liabilities | 24 | (509,000) | (90,000) |
| Provisions | 21 | (36,529) | (18,063) |
| TOTAL NET ASSETS | | <u>18,715,624</u> | <u>18,172,381</u> |
| EQUITY | | | |
| Revenue reserve | | 11,686,423 | 11,143,180 |
| Revaluation reserve | | 7,029,201 | 7,029,201 |
| | | <u>18,715,624</u> | <u>18,172,381</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, ...29 June 2021.....

Chairperson
Joe Keen

Vice Chairperson
Alistair Reid

Secretary
Stephen Black

Atrium Homes

Statement of Changes in Reserves
For the year ended 31 March 2021

| | Notes | Revaluation reserve £ | Revenue reserve £ | Total £ |
|-----------------------------------|-------|-----------------------------|-------------------------|-------------------|
| Balance at 1 April 2019 | | <u>7,029,201</u> | <u>9,556,675</u> | <u>16,585,876</u> |
| Transfer from revaluation reserve | | - | - | - |
| Surplus for the year | | - | 790,504 | 790,504 |
| Other comprehensive income | | - | 796,000 | 796,000 |
| Balance at 31 March 2020 | | <u>7,029,201</u> | <u>11,143,180</u> | <u>18,172,381</u> |
| Transfer from revaluation reserve | | - | - | - |
| Surplus for the year | | - | 1,156,243 | 1,156,243 |
| Other comprehensive income | | - | (613,000) | (613,000) |
| Balance at 31 March 2021 | | <u>7,029,201</u> | <u>11,686,423</u> | <u>18,715,624</u> |

Atrium Homes

Statement of Cash Flows
For the year ended 31 March 2021

| | Notes | 2021 £ | 2020 £ |
|--|-------|--------------------|--------------------|
| Net cash generated from operating activities | 19 | 1,951,552 | 2,972,211 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition and construction of properties | | (888,445) | (3,039,959) |
| Purchase of other fixed assets | | (827,614) | (618,533) |
| Social housing grant received | | 246,945 | 2,470,076 |
| NET CASH USED IN INVESTING ACTIVITIES | | <u>(1,469,114)</u> | <u>(1,188,416)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Interest received on cash and cash equivalents | | 15,977 | 36,296 |
| Interest paid on loans | | (409,583) | (526,024) |
| Pension finance costs | | - | (21,000) |
| Loan principal repayments | | (3,888,412) | (702,712) |
| Loan principal drawn down | | - | 3,000,000 |
| NET CASH USED IN FINANCING ACTIVITIES | | <u>(4,282,018)</u> | <u>1,786,560</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | (3,799,579) | 3,570,355 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 8,344,105 | 4,773,750 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | <u>4,544,526</u> | <u>8,344,105</u> |

The accompanying notes form part of these financial statements.

ACCOUNTING POLICIES (continued)
For the year ended 31 March 2021

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 2018 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

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 2021

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.

The organisation's financial projections have been reviewed and stress tested in light of the coronavirus pandemic. This has included consideration of the impact on income streams of delays to the investment programme, an increase in the number of void properties and an increase in the levels of arrears and bad debts.

Investment in our properties as part of the HFF21CLS programme has been severely delayed by the pandemic. The organisation is working with its lenders to agree relaxation of covenants to allow the catch up of this work in the next 3 years.

ACCOUNTING POLICIES (continued)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (continued)

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.

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.

Support received under the Coronavirus Job Retention Scheme which provides for the reimbursement of wages for employees who were placed on furlough is accounted for as Other operating income within the income and expenditure account.

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.

ACCOUNTING POLICIES (continued)
For the year ended 31 March 2021

1. ACCOUNTING POLICIES (continued)

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.

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 2021

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 2021

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).

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.

As at the year ended 31 March 2021, the net defined benefit pension deficit liability was £509k, which has been included within the pensions liability in the financial statements.

In the year ended 31 March 2021, 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.

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 2021

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.

Atrium Homes

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

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

| | Notes | Turnover £ | Operating costs £ | 2021 Operating surplus/(deficit) £ | 2020 Operating surplus/(deficit) £ |
|--|-------|------------------|-------------------------|---|---|
| Affordable letting activities | 3 | 5,519,961 | 3,960,438 | 1,559,523 | 1,286,855 |
| Other activities | 4 | 265,714 | 231,425 | 34,289 | 20,619 |
| | | <u>5,785,675</u> | <u>4,191,863</u> | <u>1,593,812</u> | <u>1,307,474</u> |
| Other operating income | 3 | 60,999 | - | 60,999 | - |
| Total | | 5,846,674 | 4,191,863 | 1,654,811 | 1,307,474 |
| Total for previous reporting period as restated | | 5,662,721 | 4,355,247 | 1,307,474 | |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

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

| | General Needs Social Housing £ | Supported Social Housing Accommodation £ | Total 2021 £ | Total 2020 £ |
|--|--|---|--------------------|--------------------|
| Revenue from Lettings | | | | |
| Rent receivable net of service charges | 5,538,076 | - | 5,538,076 | 5,419,517 |
| Service charges | (101) | - | (101) | (6,223) |
| Gross income from rents and service charges | 5,537,975 | - | 5,537,975 | 5,413,294 |
| Less voids | (120,793) | - | (120,793) | (112,548) |
| Net income from rents and service charges | 5,417,182 | - | 5,417,182 | 5,300,746 |
| Grants released from deferred income | 102,779 | - | 102,779 | 77,215 |
| Revenue grants from Scottish Ministers (Other operating income) | 60,999 | - | 60,999 | - |
| Total turnover from affordable letting activities | 5,580,960 | - | 5,580,960 | 5,377,961 |
| Expenditure on affordable letting activities | | | | |
| Management and maintenance administration costs | 1,256,637 | - | 1,256,637 | 1,721,372 |
| Planned and cyclical maintenance including major repairs costs | 939,400 | - | 939,400 | 361,225 |
| Reactive maintenance costs | 722,173 | - | 722,173 | 1,048,998 |
| Bad debts - rents and service charges | 20,454 | - | 20,454 | 41,984 |
| Depreciation of affordable let properties | 1,021,774 | - | 1,021,774 | 917,527 |
| Impairment of Social Housing | - | - | - | - |
| Operating Costs for affordable letting activities | 3,960,438 | - | 3,960,438 | 4,091,106 |
| Operating surplus or deficit for affordable letting activities | 1,620,522 | - | 1,620,522 | 1,286,855 |
| Operating surplus or deficit or affordable letting activities for previous reporting period | 1,284,780 | 2,075 | 1,286,855 | |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

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 | - | - | - | 4,863 | 4,863 | - | 14,818 | (9,955) | (23,122) |
| Care and repair | - | 62,998 | - | - | 62,998 | - | 55,861 | 7,137 | (335) |
| Contracted out services undertaken for other organisations | - | - | - | 160,746 | 160,746 | - | 160,746 | - | 46,692 |
| Development and construction of property activities | - | - | - | - | - | - | - | - | - |
| Other activities - Big Lottery | - | - | - | - | - | - | - | - | - |
| Shortlees entrance feature | - | - | - | - | - | - | - | - | - |
| Other activities – Digital participation | - | - | - | - | - | - | - | - | (4,602) |
| Other activities | - | - | - | 37,107 | 37,107 | - | - | 37,107 | 1,986 |
| Total from other activities | - | 62,998 | - | 202,716 | 265,714 | - | 231,425 | 34,289 | 20,619 |
| Total from other activities for the previous reporting period | 1,986 | 90,388 | - | 192,386 | 284,760 | - | 264,141 | 20,619 | |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

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:

| | 2021 No. | 2020 No. |
|--------------------|-------------|-------------|
| £60,001 to £70,000 | 1 | - |
| £70,001 to £80,000 | 1 | 2 |
| £80,001 to £90,000 | - | 1 |

Aggregate emoluments for the key management personnel:

| | | |
|-----------------------|----------------|----------------|
| Wages and salaries | 245,831 | 283,390 |
| Pension contributions | 84,497 | 27,480 |
| Social security costs | 29,954 | 34,542 |
| | <u>360,282</u> | <u>345,412</u> |

Emoluments payable to Chief Executive (excluding pension contributions)

| | | |
|--|---------------|---------------|
| | <u>67,502</u> | <u>89,779</u> |
|--|---------------|---------------|

6. EMPLOYEES

| | 2021 No. | 2020 No. |
|--|-------------|-------------|
| The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was: | <u>28</u> | <u>30</u> |

Staff costs of the above were:

| | £ | £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,056,300 | 1,117,372 |
| Social security costs | 108,390 | 113,451 |
| Other pension costs | 193,899 | 106,905 |
| | <u>1,358,589</u> | <u>1,337,728</u> |

7. LOSS ON DISPOSAL OF HOUSING STOCK

| | 2021 £ | 2020 £ |
|--|----------------|--------------|
| Disposal proceeds | - | - |
| Carrying value of fixed assets disposed of | <u>104,962</u> | <u>6,242</u> |
| Loss on disposal of housing stock | <u>104,962</u> | <u>6,242</u> |

Atrium Homes

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

| | | | |
|-----|--|-----------|-----------|
| 8. | INTEREST PAYABLE & SIMILAR CHARGES | 2021 £ | 2020 £ |
| | On bank loans | 409,583 | 526,024 |
| 9. | OPERATING SURPLUS OR DEFICIT | 2021 £ | 2020 £ |
| | Operating surplus is stated after charging/(crediting): | | |
| | Depreciation – tangible owned fixed assets | 1,088,748 | 989,205 |
| | Operating lease rentals - other | 4,131 | 4,211 |
| | Fees payable to RSM UK Audit LLP and their associates in respect of both audit and non-audit services are as follows: | | |
| | | 2021 £ | 2020 £ |
| | Audit-related assurance services | 13,920 | 10,740 |
| | All other non-audit services | 3,600 | 5,767 |
| 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 | 2021 £ | 2020 £ |
| | Pension scheme interest cost | - | 21,000 |
| | | - | 21,000 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

12. NON-CURRENT ASSETS

a) Housing Properties

| | Housing Properties Held for Letting £ | Housing Properties Under Construction £ | Total £ |
|-----------------------------------|---|---|-------------------|
| COST | | | |
| As at 1 st April 2020 | 41,058,874 | 3,228,557 | 44,287,431 |
| Transfers | 3,228,557 | (3,228,557) | - |
| Additions | 1,648,774 | - | 1,648,774 |
| Disposals | (190,719) | - | (190,719) |
| As at 31 st March 2021 | <u>45,745,486</u> | <u>-</u> | <u>45,745,486</u> |
| DEPRECIATION | | | |
| As at 1 st April 2020 | 5,607,592 | - | 5,607,592 |
| Charge for the year | 1,021,805 | - | 1,021,805 |
| Disposals | (48,111) | - | (48,111) |
| As at 31 st March 2021 | <u>6,581,286</u> | <u>-</u> | <u>6,581,286</u> |
| NET BOOK VALUE | | | |
| As at 31 st March 2021 | <u>39,164,200</u> | <u>-</u> | <u>39,164,200</u> |
| As at 31 st March 2020 | <u>35,451,282</u> | <u>3,228,557</u> | <u>38,679,839</u> |

Additions to housing properties include capitalised development administration costs of £Nil (2020 - £Nil) and capitalised major repair costs to existing properties of £96,190 (2020 £125,344).

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £1,463,409. The amount capitalised is £827,814 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 £25,896,779 (2020 - £26,570,912).

Included within Housing Properties Held for Letting is land held at £7,548,475 (2020: £5,907,270).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

12. NON-CURRENT ASSETS (continued)

b) Other Tangible Assets

| | Computer Equipment £ | Office Equipment £ | Office Premises £ | Office Furniture & Fittings £ | Total £ |
|-----------------------------------|----------------------------|--------------------------|-------------------------|--|------------|
| Cost | | | | | |
| As at 1 st April 2020 | 251,799 | 15,615 | 1,379,166 | 37,780 | 1,684,360 |
| Additions | - | - | - | - | - |
| Disposals | (2,640) | - | - | - | (2,640) |
| As at 31 st March 2021 | 249,159 | 15,615 | 1,379,166 | 37,780 | 1,681,720 |
| Aggregate Depreciation | | | | | |
| As at 1 st April 2020 | 193,689 | 12,777 | 181,576 | 19,410 | 407,452 |
| Charge for the year | 15,944 | 1,546 | 45,971 | 3,513 | 66,974 |
| Disposals | (2,640) | - | - | - | (2,640) |
| As at 31 st March 2021 | 206,993 | 14,323 | 227,547 | 22,923 | 471,786 |
| Net Book Value | | | | | |
| As at 31 st March 2021 | 42,166 | 1,292 | 1,151,619 | 14,857 | 1,209,934 |
| As at 31 st March 2020 | 58,110 | 2,838 | 1,197,590 | 18,370 | 1,276,908 |

13. INVESTMENTS

| | | |
|---|-----------|-----------|
| Investments in Subsidiaries | 2021 £ | 2020 £ |
| As at 31 st March 2021 and 31 st March 2020 | 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.

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

| | | |
|---------------------|-----------|-----------|
| | 2021 £ | 2020 £ |
| Capital & Reserves | 158,876 | 142,753 |
| Profit for the year | 51,123 | 36,879 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

| | | | |
|-----|--|------------------|------------------|
| 14. | CAPITAL COMMITMENTS | 2021 £ | 2020 £ |
| | Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements | - | 1,628,235 |
| | The above commitments will be financed by the following: | | |
| | Social housing grant receivable | | - |
| | Private finance | - | 1,546,386 |
| | Own reserves | - | 81,849 |
| | | - | 1,628,235 |
| 15. | COMMITMENTS UNDER OPERATING LEASES | 2021 £ | 2020 £ |
| | At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows: - | | |
| | No later than one year | 3,982 | 3,798 |
| | Later than one year and not later than five years | 1,625 | - |
| | | 5,607 | 3,798 |
| 16. | DEBTORS | 2021 £ | 2020 £ |
| | Amounts falling due within one year: | | |
| | Arrears of rent & service charges | 194,388 | 260,978 |
| | Less: provision for doubtful debts | (93,645) | (129,189) |
| | | 100,743 | 131,789 |
| | Other debtors | 353,885 | 155,955 |
| | Amounts due from group undertakings | 17,491 | 124,641 |
| | | 472,119 | 412,385 |
| | Amounts falling after more than one year: | 2021 £ | 2020 £ |
| | Loan to subsidiary | 93,790 | 101,955 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

| | | | |
|-----|--|------------------|------------------|
| 17. | CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2021 | 2020 |
| | | £ | £ |
| | Housing loans (note 18) | 810,397 | 936,067 |
| | Trade payables | 182,365 | 715,278 |
| | Rent in advance | 143,242 | 108,143 |
| | Other taxation and social security | 26,454 | 30,068 |
| | Amounts due to group undertakings | - | - |
| | Other payables | 44,584 | 30,948 |
| | Deferred capital grant (note 20) | 106,186 | 102,070 |
| | Accruals and deferred income | 205,540 | 384,759 |
| | | <u>1,518,768</u> | <u>2,307,333</u> |

At the balance sheet date there were pension contributions outstanding of £34,613 (2020: £25,646).

| | | | |
|-----|---|-------------------|-------------------|
| 18. | CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 2021 | 2020 |
| | | £ | £ |
| | Deferred capital grant (note 20) | 6,016,360 | 5,876,310 |
| | Housing loans | 18,688,388 | 22,351,205 |
| | | <u>24,704,748</u> | <u>28,227,515</u> |
| | Housing loans | | |
| | Amounts due within one year | 810,397 | 936,067 |
| | Amounts due in one year or more but less than two years | 869,855 | 3,912,374 |
| | Amounts due in two years or more but less than five years | 2,702,230 | 2,640,054 |
| | Amounts due in more than five years | 15,116,303 | 15,798,777 |
| | | <u>19,498,785</u> | <u>23,287,272</u> |
| | Less: amount shown in current liabilities | (810,397) | (936,067) |
| | | <u>18,688,388</u> | <u>22,351,205</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% | 1.27% - 2.29% | 2021 | Both |
| Nationwide | Standard security over 755 properties and 99 units | 1.13% | 0.47% - 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 2021

19. STATEMENT OF CASH FLOWS

| | 2021 £ | 2020 £ |
|---|-------------------|-------------------|
| Reconciliation of operating surplus to net cash inflow from operating activities: | | |
| Operating surplus | 1,654,811 | 1,307,474 |
| Depreciation | 1,088,748 | 989,205 |
| Amortisation of capital grants | (102,779) | (77,215) |
| Amortisation of loan | 99,925 | (99,925) |
| Change in debtors | (51,570) | 28,359 |
| Change in creditors | (842,545) | 818,071 |
| Loss on disposal of fixed assets | 104,962 | 6,242 |
| Impairment of housing properties | - | - |
| Net Cash Inflow from Operating Activities | 1,951,552 | 2,972,211 |
| | 2021 £ | 2020 £ |
| Reconciliation of Net Cash Flow to Movement in Net Debt | | |
| Decrease/(Increase) in cash at bank | 3,799,579 | (3,570,355) |
| Loan advances received | - | 3,000,000 |
| Loan redemption payments | (3,788,489) | (702,712) |
| | 11,090 | (1,273,067) |
| Net debt at 1 April | 14,943,166 | 16,216,233 |
| Net debt at 31 March | 14,954,256 | 14,943,166 |

| | At 01/04/2020 | Cash Flows | At 31/03/2021 |
|--------------------------|---------------------|-----------------|---------------------|
| Cash at bank and in hand | 8,344,105 | 3,799,579 | 4,544,526 |
| Debt due within one year | (936,067) | (125,670) | (810,397) |
| Debt due after one year | (22,351,204) | (3,662,819) | (18,688,385) |
| Total | (14,943,166) | (11,090) | (14,954,256) |

20. DEFERRED CAPITAL GRANT

| | 2021 £ | 2020 £ |
|---|------------------|------------------|
| Social housing grants | | |
| Balance as at 1 st April 2020 | 5,978,380 | 3,585,519 |
| Additions in the year | 246,945 | 2,470,076 |
| Amortisation in the year | (102,779) | (77,215) |
| Balance as at 31st March 2021 | 6,122,546 | 5,978,380 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

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

| | 2021 | 2020 |
|---------------------------------|------------------|------------------|
| | £ | £ |
| Amounts due within one year | 106,186 | 102,070 |
| Amounts due in one year or more | 6,016,360 | 5,876,310 |
| | <u>6,122,546</u> | <u>5,978,380</u> |

21. PROVISIONS

| | Holiday Pay £ |
|------------------------------|---------------------|
| 1 April 2020 | 18,063 |
| Utilised in the year | (18,063) |
| Released in the year | - |
| Additional provision in year | 36,529 |
| 31 March 2021 | <u>36,529</u> |

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

| | 2021 | 2020 |
|---|--------------|--------------|
| | No. | No. |
| The number of units of accommodation in management at the year-end was: | | |
| General needs – new build | 399 | 372 |
| General needs – rehabilitation | 803 | 784 |
| Supported housing | - | 13 |
| Held for demolition | - | - |
| | <u>1,202</u> | <u>1,169</u> |

23. RELATED PARTY TRANSACTIONS

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

Board Members cannot use their position to their advantage. Any transactions between the Company and any entity with which a Board 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 (2020: Nil), and as such there were no transactions with tenant Board members in either year.

Board members received £24 in the year by way of reimbursement of expenses (2020 - £Nil). 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 2021

24. RETIREMENT BENEFIT OBLIGATIONS

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

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.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

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

| | 2021 | 2020 |
|--|--------------|--------------|
| | £000s | £000s |
| Fair value of plan assets | 5,504 | 4,683 |
| Present value of defined benefit obligation | 6,013 | 4,773 |
| Surplus (deficit) in plan | (509) | (90) |
| Unrecognised surplus | - | - |
| Defined benefit asset (liability) to be recognised | (509) | (90) |
| Deferred tax | - | - |
| | <hr/> | <hr/> |
| Net defined benefit asset (liability) to be recognised | <u>(509)</u> | <u>(90)</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED
 BENEFIT OBLIGATION

| | 2021 £000s |
|--|-----------------------------|
| Defined benefit obligation at start of period | 4,773 |
| Current service cost | 62 |
| Expenses | 4 |
| Interest expense | 115 |
| Contributions by plan participants | 79 |
| Actuarial losses (gains) due to scheme experience | 22 |
| Actuarial losses (gains) due to changes in demographic assumptions | - |
| Actuarial losses (gains) due to changes in financial assumptions | 992 |
| Benefits paid and expenses | <u>(34)</u> |
| Defined benefit obligation at end of period | <u>6,013</u> |

| | 2021 £000s |
|---|-----------------------------|
| Fair value of plan assets at start of period | 4,683 |
| Interest income | 115 |
| Experience on plan assets (excluding amounts included in interest income) - gain (loss) | 401 |
| Contributions by the employer | 260 |
| Contributions by plan participants | 79 |
| Benefits paid and expenses | <u>(34)</u> |
| Defined benefit obligation at end of period | <u>5,504</u> |

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

| | 2021 £000s |
|---|-----------------------------|
| Current service cost | 62 |
| Expenses | 4 |
| Net interest expense | <u>-</u> |
| Defined benefit costs recognised in statement of comprehensive income (SOI) | <u>66</u> |

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

| | 2021 £000s |
|--|-----------------------------|
| Experience on plan assets (excluding amounts included in net interest cost) - gain (loss) | 401 |
| Experience gains and losses arising on the plan liabilities - gain (loss) | (22) |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss) | - |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss) | (992) |
| Total amount recognised in other comprehensive income - gain (loss) | <u>(613)</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2021

| ASSETS | 2021 £000s | 2020 £000s |
|-------------------------------|---------------|---------------|
| Absolute return | 271 | 288 |
| Alternative Risk Premia | 221 | 375 |
| Cash | 2 | - |
| Corporate Bond Fund | 415 | 342 |
| Credit Relative Value | 158 | 113 |
| Distressed Opportunities | 188 | 85 |
| Emerging Markets Debt | 222 | 167 |
| Fund of Hedge Funds | - | - |
| Global Equity | 851 | 644 |
| High Yield | 144 | - |
| Infrastructure | 307 | 276 |
| Insurance-Linked Securities | 115 | 126 |
| Liability Driven Investment | 1,323 | 1,234 |
| Long Lease Property | 128 | 114 |
| Net Current Assets | 41 | 35 |
| Over 15 Year Gilts | 3 | 59 |
| Private Debt | 130 | 93 |
| Property | 99 | 87 |
| Risk Sharing | 197 | 148 |
| Secured Income | 302 | 260 |
| Opportunistic Illiquid Credit | 141 | 114 |
| Opportunistic Credit | 150 | - |
| Liquid Credit | 95 | 123 |
| Total Assets | <u>5,504</u> | <u>4,683</u> |

| | 2021 % per annum | 2020 % per annum |
|---|------------------------|------------------------|
| Discount rate | 2.18% | 2.38% |
| Inflation (RPI) | 3.27% | 2.62% |
| Inflation (CPI) | 2.87% | 1.62% |
| Salary Growth | 3.87% | 2.62% |
| Allowance for commutation of pension for cash at retirement | 75% of maximum | 75% of maximum |

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

| | Life expectancy at age 65 |
|-------------------------|---------------------------------|
| Male retiring in 2021 | 21.5 |
| Female retiring in 2021 | 23.4 |
| Male retiring in 2041 | 22.8 |
| Female retiring in 2041 | <u>25.0</u> |