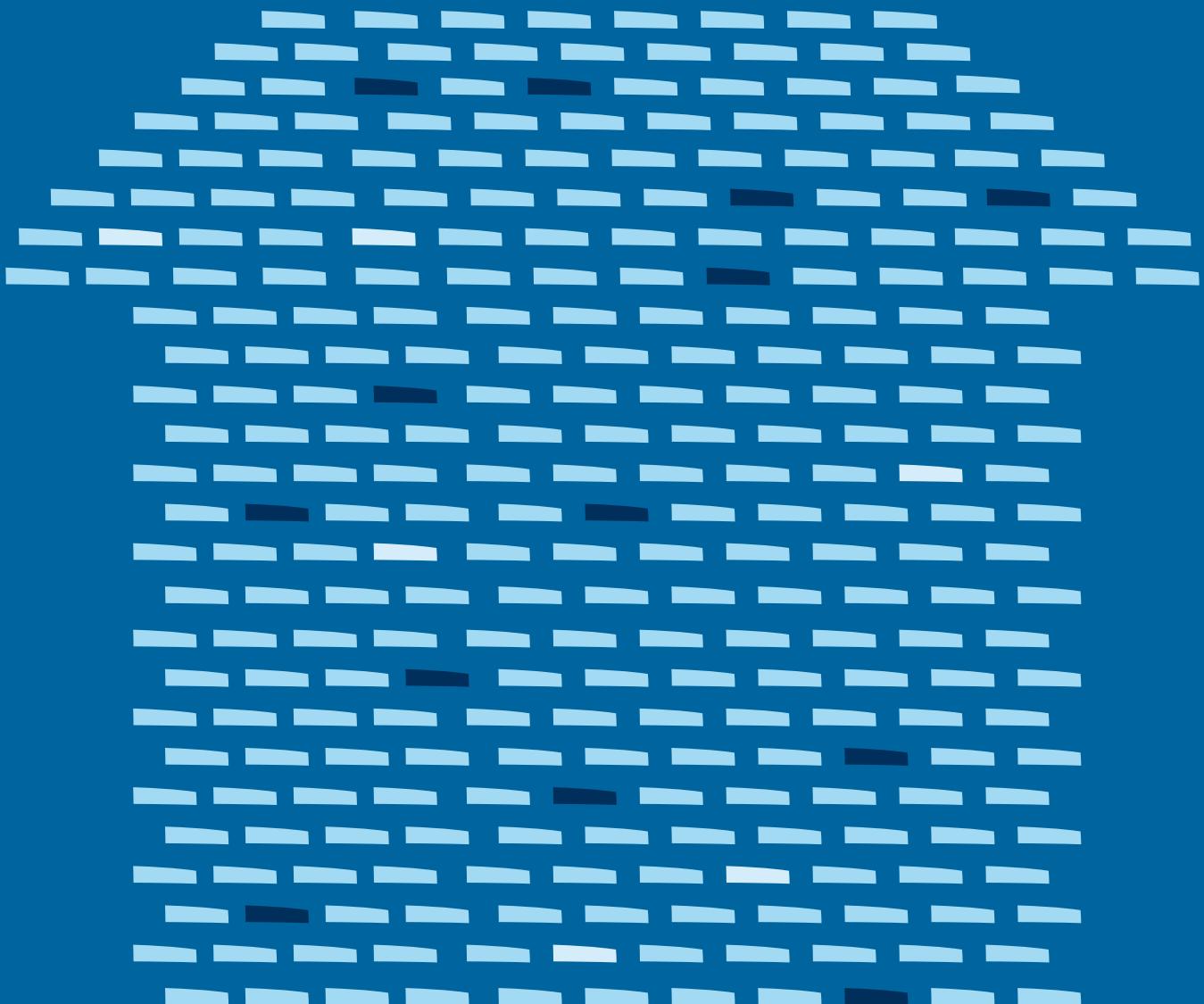


Financial Statements

for the year ended 31 March 2011



River Clyde Homes Financial Statements for the year ended 31 March 2011

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Registration Particulars:

Register of Companies	Companies Act 2006
	Registered Number: SC329031
Scottish Housing Regulator	Housing (Scotland) Act 2001
	Registration Number: 362
Office of the Scottish Charity Regulator	Charity and Trustee Investment Act (Scotland) 2005 Scottish Charity Number: SC038584

Bankers

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

Solicitors

Harper McLeod LLP
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

Auditors

Baker Tilly UK Audit LLP
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

Introduction

The Board present their Annual Report together with the audited accounts for the year ended 31 March 2011. The Association was incorporated on 9 August 2007 and it was registered as a Registered Social Landlord on 3 December 2007. These accounts cover the year 1 April 2010 to 31 March 2011.

Principal Office and Registered Address

Wallace Place
Greenock
PA15 1LZ

Principal Activity

The principal activity of the Company is the provision of social housing within the Inverclyde area. At transfer the Association received 7,870 houses from Inverclyde Council as a result of a whole stock transfer on 3 December 2007; at 31 March 2011 the current stock is 7,131 (787 of which are closed pending demolition). The service is summarised as follows:

- to improve the quality of the housing and management service for the people of Inverclyde;
- to consolidate Tenant involvement in the Company;
- to contribute to meeting the needs of people living in the Inverclyde area;
- to provide housing at affordable and sustainable rent levels;
- to develop through the new building programme sustainable properties, helping to contribute to stable communities.

Organisational Structure and Decision Making

The organisational structure consists of a Board of Management consisting of volunteer Tenants, community members and Council nominees. The Board is supported by a Chief Executive, Management team and a range of specialist staff. The organisation consists of 2 directorates namely Corporate Strategy and Housing Strategy and the operation of the staff and directorates is governed by a full range of policies and regulations.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

The Members of the Board of the Company during the period to 31 March 2011 were as follows:

Fergus McCallum		Community Member
John M Williamson	Died Aug 2010	Community Member
Alex Bowers		Tenant
Wilson Dunlop		Tenant
Charlie Macgregor	Resigned Mar 2011	Community Member
Roy Steel, (Chair)		Tenant
Katrina Anderson		Tenant
Iain McKenzie		Councillor – Inverclyde Council
Jim Clocherty		Councillor – Inverclyde Council
Sam McEwan		Community Member
Innes Nelson		Councillor – Inverclyde Council
Alan Blair	Nominated Apr 10, resigned Jun 11	Councillor – Inverclyde Council
Alan Duncan	Appointed Jun 10	Community Member
Anne-Marie Bagstad	Appointed Dec 10	Tenant
Kennedy Foster	Appointed Mar 11	Community Member

All tenancies for the above Tenant members of the Board are on Scottish Secure Tenancy Agreements in terms of the Housing (Scotland) Act 2001 and these members cannot use their position on the Board to their advantage. Any transactions with Inverclyde Council are made at arm's length, on normal commercial terms and the Board members who are also councillors cannot use their position on the Board to their or the council's advantage.

The company is limited by guarantee and does not have a share capital. The liability of the members is limited to £1 each. The Executive Officers of the Company hold no interest in the company's share capital and although not having the legal status of "director" they act as Executives within the authority delegated by the Board. It is the responsibility of the Board to undertake the strategy, setting of policy and overall direction for the Company. They also monitor the operational activities of the Company. The members of the Board are unpaid.

The Executive Officers of The Company during the period to 31 March 2011 were as follows:

Chief Executive	Lynne Carr	In post
Director of Corporate Strategy	James Aird	In post
Director of Housing Strategy	David McCready	In post

The Executive Management Team of the Company (as listed above) are responsible for achieving the strategy agreed by the Board, undertaking the operational activities in line with the policies agreed by the Board. The governing body is the Board, which is responsible to the wider membership, as at 31 March 2011, RCH had 180 members. Board members serve in a voluntary capacity, and it is recognised that this puts even more onus on the Executive Management Team to ensure that they set and achieve high standards of professionalism in their work.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

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RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

OUR OBJECTIVES AND STRATEGY

This is the third full year of operation of River Clyde Homes (RCH) as it commenced trading on 3 December 2007 and it has been another challenging, busy and rewarding year.

The Chair of the Board, Roy Steel, was in post for some time prior to the transfer date and has provided consistency, along with a number of his fellow Board members, throughout the process. Two of the senior Directorate team have also been in post since prior to the transfer date.

The Board and Senior Management Team set the agenda for the vision and promises made to Tenants as part of the Business Plan that Tenants voted for so strongly with a 72% yes vote for transfer. This year has seen a significant re-organisation resulting in a 21% reduction in the number of staff which goes towards delivering one of RCH's strategic visions of being efficient and effective. This is part of the vision and promises made to tenants as detailed below.

RCH's Corporate Statement comprises its Vision, Mission, Goals and Values

The River Clyde Homes vision:

- ***An Inverclyde with exceptional housing and vibrant communities.***

The River Clyde Homes mission:

- ***To enhance peoples' lives and communities through high quality homes and services.***

The River Clyde Homes goals are

- ***To be customer focussed***
- ***To provide good quality homes***
- ***To develop our people***
- ***To be efficient and effective***

The RCH values will underpin the organisation operations, namely: Partnership, Service Excellence, Expertise and Integrity. These values were developed jointly by the Board and the workforce, underpinning RCH's commitment to encourage employee engagement across all elements of the business. The delivery of these values is supported through a comprehensive Learning and Development programme, with all employees being encouraged to enhance their skills and develop their careers.

This Corporate Statement will be at the heart of all decisions taken by RCH and will underpin the strategic direction of the organisation.

All services will be continually reviewed to ensure that the service delivered to the customer is fit for purpose and accessible to all. Accessibility is central to the organisation's Equal Opportunities Policy which ensures that, across all its functions, RCH respects all customers, employees or potential employees, and prohibits any discrimination.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

FINANCIAL REVIEW

Overview

The finances of the organisation are governed by the detail contained in the Business Plan which was agreed by the Board, Inverclyde Council and the Scottish Government as part of the Transfer Agreement. Many aspects of the Business Plan present the organisation with challenges that impact upon the forecasts that shape the cash flow and financial capacity of the organisation. The Business Plan is reviewed regularly and approved by the Board annually and is linked to the budget and Financial Covenants.

As part of the Transfer Agreement the assets were transferred to RCH at a negative value, which constituted the subsidy due from the Scottish Government. This subsidy amounted to £53.7m in real terms and is paid in annual instalments to assist with the major investment programme to bring the sustainable stock to the Scottish Housing Quality Standard (SHQS). The major investment programme consists of demolition of non-sustainable stock and investment in the sustainable stock. This investment and demolition has to be completed by 2015/16 as this is the date that the Scottish Government require that all social housing should meet the SHQS.

The remaining cost of demolition and investment to meet SHQS is estimated in the business plan to be £61.4m with the remaining grant subsidy from the Scottish Government of £27.7m leaving a balance to be funded of £33.7m, which will be funded from a combination of rental income and loans. This year the SHQS target of 22% was attained, the major expenditure was mainly on internal modernisations.

In addition to investment in existing stock there is an ambitious new build programme which is progressing in line with expectations. The estimated remaining cost of this new build programme is £56.2m of which there will be Housing Association Grant available of approximately £24.05m; the balance of £32.15m will be funded from loans.

Within this financial year the Scottish Government announced a significant change to the Housing Association Grant (HAG) regime whereby the average amount of grant available per unit of new build will be in the region of £40,000. The effect of this change has presented RCH with a challenging budget going forward over the new build horizon but the 30 year business plan has been refined to reflect this further challenge.

During this year RCH handed over to tenants 98 properties at East Greenock and 42 properties in Port Glasgow. A further 43 and 153 houses respectively will be handed over in 2011/12.

To fund the combined estimated loan debt portfolio a facility has been agreed with a consortium of financial institutions amounting to a maximum loan facility of £65m.

Income & Expenditure

Turnover of £22.791m relates mainly to the income from the letting of properties which accounts for £22.294m of this total. The balance of income of £0.497m relates to Support and Wider Role activities.

The Transfer Agreement and the Business Plan promised the Tenants that rent would only increase in line with the rate of inflation and that is guaranteed for 5 years.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

Total Operating Expenditure was £18.740m, consisting of:

- Employees £4.761m
- Management and maintenance admin costs £10.018m
- Planned and cyclical maintenance £1.113m
- Reactive maintenance costs £2.286m
- Other costs £0.562m

Component accounting

RCH has changed its accounting policy on capitalisation and depreciation by adopting component accounting. Component accounting is a new reporting requirement in the 2010 SORP and is required to be adopted in all financial statements from 2011/12 onwards. RCH has decided that it would be more efficient to adopt component accounting early and therefore the effect is shown in this year's financial statements.

Component accounting is where a housing property with several different components with substantially different useful economic lives, has depreciation charged individually for each of its major components over that component's useful economic life. The components which RCH has used are kitchens, bathrooms, central heating systems, mechanical systems, lifts, windows and doors, structure, electrics and roofs. In previous years some of the expenditure on these items were expensed as major repairs.

The adoption of component accounting has resulted in a material difference in the treatment of costs, therefore a prior year adjustment needed to be made to the 2009/10 Income and Expenditure Account, Balance Sheet and Cash Flow Statement. The effect on all of the financial statements is detailed in Note 19 on page 47.

Balance Sheet

The housing stock was transferred to RCH at nil value. However as the new build programme has progressed the net book value of our housing properties held for letting or construction has increased to £29.392m. RCH own one office building in Port Glasgow and this was valued following transfer by DM Hall, a qualified chartered surveyor, at a value of £0.23m in June 2008.

The debtors balance is £9.878m of which the gross rent debtor accounts for £3.388m. As part of the transfer agreement RCH purchased the rent debt for current Tenants £0.967m at the net book value £0.125m and the former Tenants arrears of £1.7m at no cost. Therefore, the former Tenants arrears at the time of transfer are fully provided for in the accounts. The current Tenant arrears, and the arrears which have become former since transfer, have a provision for bad debt based on the value of the debt.

The cash in hand at the year end is £1.286m.

Reserves

Note 12 on page 44 details the reserve position at the year end.

Revenue Reserve

From a surplus of £2.847m in the year, £1.175m was transferred to designated reserves, and £0.004m transferred from the revaluation reserve. The prior year adjustment for component accounting, detailed in Note 19 on page 47 increased this reserve by £10.1m, this £10.1m was then transferred to designated reserves to cover the future non cash cost of depreciation which was not originally expected in the business plan.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

Designated Reserves

As part of the Transfer Agreement, the first £1m of any potential indemnity claim will, until 2015/16 be funded from the VAT receipts flowing from the VAT arrangement. It was therefore prudent to create a designated reserve solely for this purpose in the accounts and this was created in 2007/08. If this reserve is not called upon by 2015/16 then the proceeds can be used for general expenditure within RCH.

Reserves have been earmarked as follows:-

- To front potential indemnity claim as detailed above
 - £1.0M in 2007/08
- To front fund our regeneration and investment programmes which will released by 2015/16
 - £0.5M in 2007/08
 - £1.0M in 2008/09
- To cover the cost of future environmental works, the cost of employing apprentices and to fund holding investment, the majority of which will be released by 2015/16
 - £1.520m in 2008/09
 - £2.244m in 2009/10
 - £1.175m in 2010/11
- To cover the future non cash cost of depreciation due to the adoption of component accounting which was not originally expected in the business plan on inception. This will be released over the life of our assets with approximately £2.5M of this being released in the next 5 years
 - £10.188M in 2010/11

Cash Flows

The Cash Flow statement is shown on page 27. The net cash inflows from operating activities were £7.512m. The principal cash outflows were operating costs and investment.

Financing and Liquidity

This year RCH began to draw down some of its £65m loan facility, as at 31st March 2011 £7.5m had been borrowed on a short-term basis. In order to minimise the exposure to interest rates variations, from April 2011 RCH will enter into a £48M hedging agreement, where a predetermined amount will be borrowed every April at rates which will be fixed until 2029. In April 2011 the £7.5m borrowed to date will be converted into this fixed rate arrangement.

The 2011/12 cash flow was managed so that RCH would fund the current year's activities with the minimal amount of borrowing required. In 2011/12, as the investment programme progresses, there will be recourse to borrow larger sums to meet the RCH commitment to fund the share of the programme not met from grant.

Credit Payment Policy

The Company's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 28 days.

Capital Structure and Treasury Management

RCH operations are funded on the basis of a 30 year Business Plan which has to be reviewed annually. The funding is driven by a loan facility by a consortium of financial institutions and grants provided by the Scottish Government. The funding facility from the financial institutions allows a maximum loan drawdown of £65m

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

with the remaining funding to achieve the targets of the investment programme, the new build programme and the day to day running of RCH coming from the Scottish Government and RCH's internal resources. The business plan assumes that the peak debt will be reached in year 2016 and repaid by year 2029.

The Company, as a matter of policy, does not enter into transactions of a speculative nature.

Planning for the future

RCH will review its 30 year Business Plan annually which includes all the long term plans for the business over a 30 year horizon. This is subject to review and amendment every year as real issues emerge and the financial climate changes so too must the Business Plan evolve to meet those challenges.

The Business Plan is divided into component parts and includes operating costs, repairs, investment and new build expenditure. This is funded via rental income, grants and loan debt.

The key outputs from the 30 year plan are:

- Demolition of 2,500 houses that are non-sustainable.
- Investment in 4,700 houses to meet the Scottish Housing Quality Standard.
- Build 1050 new houses for rent and low cost ownership.
- Invest in operating processes to ensure customer satisfaction.

Risk Management

The following key principles outline River Clyde Homes' approach to risk management and internal control:

- The Board of Management has responsibility for overseeing risk management within the organisation as a whole.
- An open and receptive approach to solving risk problems is adopted by the Board of Management.
- The Risk Management Group supports, advises and implements policies approved by the Board of Management.
- The organisation makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.
- Responsible Officers are required to encourage good risk management practice within their area.
- Key risk indicators will be identified and closely monitored on a regular basis.

The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the organisation to respond to a variety of operational, financial, and commercial risks.

The organisation encourages a culture that embraces risk at the heart of decision making and promotes this throughout the organisation so that risk appreciation and consideration is a part of normal work.

The risk register is regularly reviewed and reported on via the Audit Committee, with ownership of each risk being attached to a specific Manager.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

OPERATING REVIEW

This is the third year of trading for RCH and there has been a significant amount of work done to deliver on the promises made to tenants.

HOUSING MANAGEMENT

Key Performance Indicators (KPIs)

RCH's KPIs are reviewed quarterly by the Board and included in the Annual Performance & Statistical Return (APSR) to the Scottish Housing Regulator.

	<u>2010/11</u>	<u>2009/10</u>	<u>2008/09</u>
New Lets	109	N/A	N/A
Re-lets	460	542	510
Average Re-let days	157	127	158
% of new tenancies sustained > 1 year	88%	80%	84%
% of rent collected from current tenants	95.6%	93.4%	96.2%

Rent conference

RCH's tenants attended a Tenants' Conference in January 2011. The subject was 'How Your Rents Are Spent' and the aim of the conference was to describe how tenants can become more involved in RCH's housing finance matters; explain how tenants can affect decisions made about how rents are spent and discuss how RCH can develop a rent re-structuring policy to reduce unjustifiable differences between the rents of similar RCH's houses. The day was very successful and invited debate on this and other areas of the business.

Scottish Housing Regulator Inspection

An inspection was carried out by the Scottish Housing Regulator under section 69 of the Housing (Scotland) Act 2001 on behalf of Scottish Ministers in March 2010. This resulted in a C grade - this is a 'Fair' performance. A comprehensive improvement plan is being implemented to meet the Regulator's recommendations. The Regulator took the view that RCH has strengths and, over a short time, has started to deliver many of the commitments it made prior to transfer. The report also states that, since its inception in December 2007, RCH has made a real difference in building new affordable housing and improving the quality of its housing stock.

Grand Central Savings

Grand Central Savings (GCS) opened a branch in Inverclyde on 29th March 2010. GCS is aimed at helping the financially excluded, and is supported by RCH. GCS has worked in partnership with other agencies to give over 800 customers' advice on budgeting and money management.

RCH is backing the initiative financially to the tune of £65k by seconding a Branch Manager and Cashiers. A total of 404 new accounts have been opened, distributing over £500k between wages, benefits, local housing allowances, grants, bursaries, tax credits and cheques.

The branch has dealt with nearly 3,400 counter transactions, 611 phone enquiries and 228 branch enquiries and is aiming to open another 500 new accounts in 2011/12. It will increase its work with tenants, enabling them to pay their rent to their landlord directly through their GCS account.

Sheltered Housing Review

A review of sheltered housing services resulted in a 24/7 support system being put in place to augment the warden support services provided during working hours.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

Customers' Survey

RCH commissioned a company called Research Resource to undertake a resident satisfaction survey. The survey was undertaken by interviewing tenants and owners in their homes during February and March 2010. A total of 1400 interviews were completed; 1199 with RCH's tenants and 201 interviews with owners in properties which RCH factors. Interviews were spread across all areas of our stock in order to ensure that the survey represented the views of tenants and owners in all areas and house types. Overall 85% of respondents said they were satisfied with the housing service RCH provides, an increase in satisfaction of 17% compared to a tenant survey in 2005, prior to stock transfer.

Gas Safety

RCH have a legislative obligation to maintain all gas appliances within our properties. This maintenance obligation extends to an annual inspection and service of each appliance, with appropriate certification being issued by a registered Gas Safe engineer. This obligation excludes appliances installed by tenants e.g. gas cookers.

As at March 2011, 100% of applicable appliances had a valid safety certificate. A robust escalation procedure is now in place to ensure access to all properties is achieved in advance of the expiry date of the safety certificate. When deemed necessary, this procedure includes forcing access to properties.

Increasing Membership

RCH currently has 195 members, an increase of 15 from 2009/2010. Following organisational restructure, a renewed emphasis has been placed on the promotion of membership. Neighbourhood staff are currently in the process of visiting every tenant and membership will be promoted at these visits. It is hoped that this more targeted approach will increase membership significantly in the coming year.

Local Employment Opportunities

River Clyde Homes continues to be a partner in the Inverclyde Construction Forum and Inverclyde Construction Plus. The partnership operates with Inverclyde Council, James Watt College, Job Centre Plus, local business, Skills Development Scotland and Riverside Inverclyde to maximise scope for local employment and success in tendering for contracts in Inverclyde. Significant training has been given to ensure that local unemployed people who are interested in construction are able to compete for arising opportunities and also that local companies are aware of tender opportunities and how to complete procurement paperwork.

CCG and Lovell, the 2 new build contractors for RCH, have recruited 52 local people this year which is a total of 78 opportunities arising thus far from the new build contracts. These opportunities arose for those who were either long term unemployed, new apprenticeships (14) or part qualified apprentices under the "Target Recruitment and Training" section of the contract. The recruitment involves roles in both construction and administration. In addition, River Clyde Homes' own six apprentices were able to obtain new build training experience on the two sites.

In addition, 26 trainees were employed for around six months on the Green Team project. The trainees were taught both hard and soft landscaping skills in and around the Broomhill area of Greenock to brighten up the area. Several of the trainees actually lived in the Broomhill area and have found the experience very rewarding. The project has been well received by local residents.

The Targeted Recruitment and Training process will continue into the appointment of the South West Greenock new build contractor and into the demolition and environmental programme.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

CORPORATE ISSUES

The Big Conversation

Resulting in a restructure, 47 employees left RCH due to voluntary severance up to 31 March 2011. This was undertaken following detailed discussions and agreement with trade union partners. Throughout this period, employees were encouraged to access a range of support options including interviewing skills and CV preparation workshops. Additionally, 4 applications for VS were withdrawn and 10 were rejected. All employees who left through VS participated in an individual consultation meeting, attended by a member of Human Resources and Finance. Employees were given the right to have a trade union representative or workplace colleague present as an accompanying person. The restructure provided many developmental opportunities for existing members of staff.

Attendance at Work

Despite the restructure, attendance was largely positive over the past year. Proactive occupational health services continued to be offered, which included health clinics, health surveillance and stress workshops. These were well attended. Absence is mainly long term which is referred through Occupational Health (OH) as opposed to persistent short term absenteeism. Management information is reviewed regularly. Data provides a breakdown showing age range, outcome of referral, whether disability was applicable in the view of the OH physician and the reason for referral. Chiene & Tait conducted a successful internal audit, and found that:

- RCH takes a pro-active approach to dealing with long term absence
- Good controls are in place
- There is a substantial assurance that controls are well designed and are operating effectively.
- Managers need to ensure return to work interviews are conducted on time.

Family friendly benefits

RCH remains committed to supporting work-life balance and recognises the changing demands of family life.

Health & Wellbeing

- Employees were given a range of support materials from the CIPD, ACAS, the Health & Safety Executive (Management Standards in relation to Stress) and SAMH in order to assist with the supportive management of people.
- Four Inverclyde residents had voluntary placements as Business Trainees. These young people were given meaningful work experience in order to develop employability skills. This has strengthened community links.
- The Scotland's Mental Health First Aid Course was delivered in partnership with Inverclyde Council. Participants included RCH employees and the public. Feedback has been excellent and further courses are planned throughout 2011-12

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

Learning Opportunities

We remain committed to offering a wide range of learning opportunities for all staff. This has included the provision of;

- Scottish Vocational Qualifications in Social Care for Sheltered Housing Wardens
- Further education within college or university setting
- Evening and twilight classes and distance learning
- Short courses
- Equal Opportunities Awareness training took place. Feedback has been extremely positive and it provides employees with an improved understanding of how Equal Opportunities affect our work as a Housing Association.
- Numerous conferences were attended by members of RCH staff throughout the year, including Chartered Institute of Housing and Chartered Institute of Personnel & Development

A range of further education courses are currently being supported including:-

- HNC Construction Practice
- Post Graduate Diploma in Leadership
- BSc Information Technology
- BSc Occupational Safety & Health
- CIMA Certificate in Business Accounting
- CIPS levels 2, 3 and 4
- Post Graduate Diploma/MSc in Human Resource Management
- Certificate in Nutritional Advice

Our training team also has several books, videos and CD-ROMs available as learning resources for staff.

Apprentices

Our 6 apprentices progressed well and are now well underway towards achieving the college qualifications and experience required to gain their trade apprenticeships

International Vocational Learning

We continued our commitment to facilitating free, international work placements as part of the Leonardo da Vinci project, a vocational learning programme which runs throughout Europe. RCH offered another trainee a placement during this year where they gained knowledge of social housing in the area.

Partnership

We continue to be committed to promoting and maintaining the best relationship with our trade union partners through the development of partnership working. Regular meetings of the trade union Partnership Forum took place throughout the year. These meetings were well attended by all 4 trade unions who have signed the RCH recognition agreement.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

Equalities

RCH participated in a successful Equalities Day held at Inverclyde Academy. This event was attended by many members of the public and partner organisations such as SAMH, Inverclyde Council, Cloch Housing, Oak Tree Housing, IHAF and representatives from Inverclyde Academy. The focus of this event was to provide participants with the opportunity to influence equalities within the context of housing within Inverclyde.

The Royal National Institute for the Deaf (RNID) delivered a workshop for RCH employees. In Scotland, many people who are deaf or hard of hearing face barriers in accessing a range of services such as GPs, hospitals, social work services, education, employment opportunities, shops or leisure activities. These barriers can lead to social isolation, exclusion, and people not being able to achieve their full potential. The purpose of the workshop was to challenge negative attitudes and raise awareness about deafness and hearing loss. This has helped RCH become more responsive to the needs of deaf people and those with other disabilities. RCH has now fully funded 2 induction loop systems.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

PROPERTY AND RENEWAL

Investment

The Scottish Housing Quality Standard (SHQS) was introduced by the Scottish Government in 2004 and sets a standard which all RSL and local authority housing stock must meet by 2015.

In order to achieve SHQS and as part of the Transfer Agreement, RCH receive an annual grant subsidy from the Scottish Government. The grant received contributes not only to upgrading the sustainable stock to SHQS compliance levels, but also contributes towards the cost of demolishing unsustainable stock.

For the year ending 31 March 2011, the available grant, the actual expenditure and grant claimed are detailed as follows:

	Available Grant	Expenditure	Grant Claimed
Improvements	£6.376m	£9.137m	£6.376m
Demolition	£1.711m	£2.499m	£1.711m
Asbestos	£0.707m	£0.748m	£0.707m

There are five key elements to the SHQS, namely as follows:

- Properties must be above the tolerable standard.
- Properties must be free from serious disrepair.
- Properties must be energy efficient.
- Properties must have modern facilities.
- Properties must be healthy, safe and secure.

In-line with the expectations of the Transfer Agreement, as at 31 March 2011, 22% of RCH's stock complied with the requirements of SHQS.

The work carried out during the year ending 31 March 2011, included the following:

Internal Works – Works were completed in approximately 700 homes in Port Glasgow (British Iron and Steel Federation - BISF properties), Charles Place, Westburn Buildings, Stewart House, Seafield House, Bagatelle Court, Glebe Court, Duncan Street, Inverkip Street, Larkfield East, Ravensraig Court, Greenock (BISF properties), Royal Court, Regent Court, Rankin Court, Cumberland Road and Westmorland Road. The majority of these works incorporated replacement kitchens, bathrooms and electrical circuit replacement.

Energy Efficiency – Virtually all of RCH stock has double glazed windows and full central heating systems. An extensive programme carried out in the 10 years prior to stock transfer through the Scottish Government HECA grant award, has ensured the majority of the stock has hot water tank and pipe insulation, loft insulation and a significant number of properties with cavity wall insulation. As part of the internal and external works programme, energy efficient elements are being checked and upgraded where required.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

As part of the 2011/11 planned investment work programme, the communal heating system has now been replaced within the sheltered housing complex known as John Galt House, along with all radiators and pipe work within each flat. This work will benefit all 64 flats within the complex.

Digital TV Switchover – In addition to the SHQS works, RCH successfully implemented a programme of digital TV switchover installations within our stock serviced by communal TV aerials. This affected sheltered housing complexes, high-rise flats and low-rise flats

Environmental Improvements - The environmental works programme has still to commence. Work is ongoing to establish requirements and prepare a tender package to design the required upgrades to the surrounding environment of our properties to meet the Scottish Housing Quality Standard. The appointment of a contractor to undertake the works is imminent.

Demolition

190 units were demolished this year including the first implosive blow-down demolition at Octavia Court which was completed in February 2011. In 2011/12 RCH are to appoint three framework contractors and external consultants to progress almost 700 demolition units on various RCH sites which have been approved for demolition by the board.

Asbestos

Works are progressing with asbestos removal/treatment works, the majority of these works are being identified through our internal Kitchens, Bathroom and Rewire projects.

Asset Management System

Works are continuing with the implementation of RCH's Asset Management System, provisions are now being made to sense check historical records prior to information being uploaded to the system, including information on completed SHQS works to date.

Building the future

Our framework agreement for our new-build programme continues with CCG (Scotland) Ltd, Lovell and Cruden Building and Renewals Ltd. RCH has a pool of high-quality, experienced contractors to deliver our multi-tenure new build development across Inverclyde over the next few years. This enables RCH to proceed with its ambitious plans at a greater pace, saving time on having to deal with numerous individual tenders for each contract.

New Build Programme

The work of building new houses on sites in Port Glasgow (195 houses) and East Greenock (141 units) continued this year. We are considering future opportunities, particularly those available at Southwest Greenock (126 houses) and James Watt Dock.

Port Glasgow

The 195 units are being constructed over three sites at

- Woodhall- 102 units, 6 of which were handed over during the year.
- Oronsay Avenue- 61 units, 31 of which were handed over during the year.
- Moray Road- 32 units, none of which were handed over during the year.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

The Woodhall site is challenging given the topography of the site and the excavation requirements to create the level plateaus which are needed to meet our commitment to provide Housing for Varying Needs. The design solution is to construct, largely, split level units on this site but excess materials from our site have been re-used to help with other regeneration projects on the waterfront.

The planning permission for our Port Glasgow sites included the construction of two play areas, one at Woodhall, the other at Oronsay and the improvement of open space at Woodhall to create a park development. Consultation events took place with the local communities, the outcome of these is now being considered by the Council.

It is envisaged that this project will be completed by March 2012.

East Greenock

The 141 units are being constructed over three sites in close geographic proximity at

- Gilmour Street - 90 units, 60 of which were handed over during the year.
- Grosvenor Road - 43 units, 38 of which were handed over during the year.
- East Crawford Street - 8 units, none of which were handed over during the year.

This project will be completed by March 2012, 12 months earlier than planned in the estimated programme due to the early availability of one site following a fire incident. The sites for development in East Greenock were split into 6 sections, and had the added complexity of phasing to complete the cycle of new build/occupation/demolition/re-use land for further new build. 3 of these sections are now fully complete and works are underway on the remaining sections.

Southwest Greenock

Just at the end of March 2011 we were delighted to receive funding approval from the Scottish Government to take forward this development. The 126 units are being constructed over 3 sites in the Larkfield area at:

- Cumberland Road – stage 1 comprises 29 units and stage 2 comprises 31 units
- Banff Road – 42 units
- Westmorland Road – 24 units

The intention is to complete this project by March 2013. In order to allow the first phase of building to begin at Cumberland Road a number of residents have been re-housed on a temporary basis to the stage 2 site and will move to new build homes as they become available and so allowing a further site to be cleared for new build housing.

James Watt Dock

During 2010/11 RCH appointed a Team of design consultants to consider the site that it owns on the Waterfront at James Watt Dock in Greenock. The consultants will be reporting their findings to us in 2011/12.

RIVER CLYDE HOMES

REPORT OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2011

Maintenance

During 2010/11 the total of repairs ordered by RCH reduced from 21,807 in 2009/10 to 20,988. This third and consecutive annual reduction was achieved by continuous review and development of the administrative and operational management of the repair ordering process.

Emergency repairs however, accounted for 30% of all repairs, showing a rise of 1% from 29% in 2009/10.

Performance for jobs completed within target time across most of the repair categories continued to improve during 2010/11 from previous years as shown below:

	2007/08	2008/09	2009/10	2010/11
Emergency repairs	89.53%	97.83%	99.71%	98.80%
Urgent repairs	39.77%	83.77%	94.61%	99.10%
Routine repairs (all)	67.72%	76.35%	78.77 %	87.01%
Repair by appointment	n/a	n/a	n/a	93.41%

RCH introduced a repair by appointment priority of repair in November 2010. This enables customers to mutually agree dates on which it is convenient to have particular repairs carried out. These appointments can be arranged on a morning or afternoon basis at present.

RCH also developed an informative repair handbook which will be distributed to all customers during 2011.

Going Concern

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Information for auditors

As far as the Board members are aware there is no relevant audit information of which the auditors are unaware and the Board members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Signed on behalf of the Board:

Approved by the Board on:

RIVER CLYDE HOMES

STATEMENT ON BOARD RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2011

Company law requires the Board to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company at the end of the period and of the surplus or deficiency for the period then ended.

In preparing those financial statements, the Board is required to:

- select suitable accounting policies, as described on pages 28 to 30, and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The Board is 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.

RIVER CLYDE HOMES

BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

FOR THE YEAR ENDED 31 MARCH 2011

The Board acknowledge their ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments 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 proper authorisation and recording of transactions;
- 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. Key elements include ensuring that;

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets.
- experienced and suitably qualified staff take responsibility for important business function; annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Board and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the period and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures from the Board members.
- the Board reviews reports from their Chief Executive and staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed, this includes a general review of the major risks facing the Company.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

RIVER CLYDE HOMES

BOARD'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

FOR THE YEAR ENDED 31 MARCH 2011

The Board have continued to review the system of internal financial control in the Company during the period ended 31 March 2011. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements, or in the auditors' report on the financial statements.

By order of the Board

W Durr

Date: 20 SEPTEMBER 2011

RIVER CLYDE HOMES

Auditors' report on Corporate Governance matters

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 20 and 21 concerning the Company's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to the Bulletin 2006/5 that was issued by the Auditing Practices Board. 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 reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 20 and 21 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Statutory Auditors
Chartered Accountants
Glasgow

Date: *20 September 2011*

RIVER CLYDE HOMES

Independent auditors' report to the members of River Clyde Homes

We have audited the financial statements of River Clyde Homes Ltd which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Surpluses and Deficits and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association'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 Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 19, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Board's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

RIVER CLYDE HOMES

**Independent auditors' report to the members of
River Clyde Homes**

Matters on which we are required to report by exception

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

- 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 books of account; 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

Baker Tilly UK Audit LLP

Janet Hamblin
Senior Statutory Auditor
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow G2 3EH

Date:

20 September 2011

RIVER CLYDE HOMES
INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £000's	2010 £000's	Restated
Turnover	2	22,791	24,072	
Operating costs	2	(18,740)	(17,682)	
Operating surplus		4,051	6,390	
Profit on sale of fixed assets		167	167	
Interest receivable and other income		15	28	
Interest payable and similar charges		(27)	(27)	
Other financing expense	10	(1,359)	(97)	
Surplus on ordinary activities before taxation		2,847	6,461	
Taxation on surplus on ordinary activities	1	0	0	
Surplus for the year	12	2,847	6,461	

The results for the year relate wholly to continuing activities.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2011

	2011 £000's	2010 £000's
Surplus for the year	2,847	6,461
Actuarial gain / (loss) on pension scheme	3,218	(6,727)
Total recognised surplus / (deficit) relating to the year	6,065	(266)
Prior Period Adjustment	19	10,188
Total recognised surplus / (deficit) since the last financial statements	16,253	(266)

RIVER CLYDE HOMES

BALANCE SHEET

AS AT 31 MARCH 2011

	Notes	2011 £000's	2010 £000's	Restated £000's
Fixed Assets				
Housing properties - depreciated cost	4	75,052		46,272
Less: Social Housing Grant	4	(45,660)		(28,794)
		29,392		17,478
Other fixed assets	4b	352		318
		29,744		17,796
Current Assets				
Stock	5	124		119
Debtors	6a	9,878		15,793
Debtors due after more than one year	6b	29,881		34,756
Cash at bank and in hand		1,286		347
		41,169		51,015
Creditors: amounts falling due within one year	7	(24,745)		(18,741)
Net current assets		16,424		32,274
Total assets less current liabilities		46,168		50,070
Creditors: amounts falling due after more than one year	8	(29,672)		(34,523)
Pension Liability	10	(2,222)		(7,338)
Net Assets		14,274		8,209
Capital and Reserves				
Revaluation Reserve	12	216		220
Designated Reserve	12	17,627		6,264
Revenue Reserve	12	(3,569)		1,725
		14,274		8,209

These financial statements were approved and authorised for issue by the Board on 20 September 2011 and signed on their behalf by:

Chairman of Board:

Secretary:

Board member:

RIVER CLYDE HOMES

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	2011 £000's	Restated 2010 £000's	2010 £000's
Net cash inflow from operating activities (note 13)	7,512		8,260
Return on investments and servicing of finance			
Interest received	15		28
Interest paid	(27)		(27)
Other finance expense	<u>(1,359)</u>		<u>(97)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(1,371)</u>		<u>(96)</u>
Capital expenditure and financial investment			
Purchase of other fixed assets	(12,868)		(13,513)
Sale of properties	1,030		1,035
Repayment of proceeds from sale of properties	<u>(863)</u>		<u>(868)</u>
Net cash outflow from capital expenditure	<u>(12,701)</u>		<u>(13,346)</u>
Net cash outflow before financing	(6,560)		(5,182)
Financing			
Loan advances received	9,000		0
Loan principal repayments	(1,500)		0
Loan redemption payments	<u>0</u>		<u>0</u>
Net cash inflow from financing	<u>7,500</u>		<u>0</u>
Increase / (Decrease) in cash in period	<u>940</u>		<u>(5,182)</u>

Further details are given in note 13.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1. Principal Accounting Policies

The Company is incorporated under the Companies Act 2006 and is registered as a company limited by guarantee with Companies House in Scotland. The accounts have been prepared in accordance with the Companies Act 2006, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and in compliance with The Statement of Recommended Practice (SORP), "Accounting by Registered Social Providers, Update 2010" and applicable Accounting Standards.

a) Basis of Preparation

The accounts are prepared in accordance with applicable accounting standards, under the historical cost convention, modified to include land and buildings at valuation, and on a going concern basis.

b) Turnover

Turnover represents rental income from the letting of properties and service charges to tenants, net of voids and services to owner-occupiers and supporting people income.

c) Tangible Fixed Assets

Housing properties are stated at cost, all property was acquired at nil value under the stock transfer agreement. The company's policy is to capitalise the following:

- cost of acquiring land and buildings
- development expenditure
- interest charged on the development loans raised to finance the scheme.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the scheme will not be developed to completion.

d) Depreciation

Housing Land and Buildings

Housing Properties are stated at cost less social housing grant, other public grants and accumulated depreciation. This year RCH has changed its accounting policy on the calculation of depreciation by implemented component accounting, as laid down by the 2010 SORP. This means that depreciation is charged based on the useful life of each component within its housing properties as follows:-

Structure	100 years
Roofs	70 years
Windows and doors	40 years
Bathrooms	30 years
Mechanical Systems	30 years
Lifts	30 years
Electrics	30 years
Kitchens	15 years
Central heating systems	15 years

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

Housing under construction is not depreciated and no depreciation is charged on the cost of land.

Other Fixed Assets

A full year's depreciation is charged in the year of acquisition but no charge is made in the year of disposal. Depreciation is charged at rates estimated to write off costs less the estimated residual value over the expected useful life, as follows:

Office Buildings	- 2% straight line
Furniture and Equipment	- 20% straight line
Computer Equipment	- 33 1/3% straight line

Assets transferred from Inverclyde Council have been revalued in order to establish an initial value. They will be depreciated as per the policy above in future years.

e) **Support Grant**

Grants received in respect of revenue expenditure are credited to the Income and Expenditure account in the same period as the expenditure to which they relate.

f) **Value added tax**

The Association is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure is charged to the Income and Expenditure Account inclusive of VAT. Recoverable VAT arising from partial exempt activities is credited to the income and expenditure account.

g) **Pension**

The company participates in two pension schemes as follows:

1) Strathclyde Pension Fund which is a defined benefit scheme as defined by the Local Government Pension Scheme (Scotland) regulations 1998. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives within the Association.

2) Scottish Federation of Housing Associations' pension scheme which is a multi employer defined benefit scheme managed by the Pension Trust.

h) **Allocation of Owner Occupier Income**

Monies charged and received from owner-occupiers for common maintenance are credited into the income and expenditure account within the accounting period in which it is invoiced.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

i) **Operating Lease Agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

j) **Sale of housing properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

k) **Development Agreement**

The company has entered into agreements with Inverclyde Council whereby the undertaking of catch-up repairs and improvement works remained with Inverclyde Council, with that obligation sub-contracted to RCH. This has been shown on the Company's Balance Sheet as a debtor offset by a provision of an equal amount. As work progresses, both sums will be adjusted downwards by the appropriate amount.

l) **Stock**

Stock is stated at the lower of cost and net realisable value. Net realisable value is estimated sales proceeds less costs to sell.

Stock includes stores items and expenditure less HAG on New Supply Shared Equity (NSSE) properties.

m) **Designated Reserves**

Designated reserves are earmarked amounts of any surplus which are being reserved for future events. Transfers to and from reserves must be approved by the Board. The use and timing of reserves are noted on page 8.

n) **Taxation**

As a charity, RCH is exempt from corporation tax on its charitable activities by virtue of Section 505(1) Income & Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover £000's	Operating Costs £000's	Operating Surplus / (Deficit) £000's	Restated Operating Surplus / (Deficit) for previous period (Deficit) £000's	Restated Operating Surplus / (Deficit) of account £000's
Social lettings	22,294	18,179	4,115		6,531
Other activities	497	561	(64)		(141)
Total	22,791	18,740	4,051		6,390
Restated 2010	24,072	17,682	6,390		

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

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

	Restated	2011	2010
	£000's	£000's	£000's
Rent receivable net of Service Charges		20,603	21,549
Service Charges		684	603
Gross income from rents and service charge		21,287	22,152
Less voids		(1,585)	(1,800)
Net income from rents and service charges		19,702	20,352
Grants from the Scottish Ministers		1,791	2,112
Other Income		801	1,153
Total turnover from social letting activities		22,294	23,617
Management and maintenance administration costs		11,287	9,937
Planned and cyclical maintenance inc major repair costs		1,113	1,042
Reactive maintenance costs		4,852	5,052
Bad Debts - rents and service charge		128	419
Depreciation of social housing		799	636
Operating costs for social letting activities		18,179	17,086
Operating Surplus for Letting Activities		4,115	6,531
2010		6,531	

The above information relates to General Needs Housing only as RCH do not have any shared ownership or supported housing properties.

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

3b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants from Scottish Ministers £000's	Other revenue grants £000's	Supporting people income £000's	Other income £000's	Total Turnover £000's	Other operating costs £000's	Year to 2011 Operating Deficit £000's	Year to 2010 Operating Deficit £000's
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing								
Support activities	138	0	0	12	150	205	(55)	(63)
Total from other activities	138	0	347	12	497	561	(64)	(141)
2010	92	0	347	16	455	596	(141)	

During the year there was no other surplus or deficit from other activities other than that noted above.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

4a. Tangible Fixed Assets - Housing Properties

All properties were transferred to the company at nil value as part of the Large Scale Voluntary Stock Transfer.

During the year 38 properties have been sold under Right to Buy resulting in a gain on sale of £167K. Cost of these properties totalled £nil.

Security has been granted to lenders in respect of housing properties, net cumulated interest capitalised on housing properties at 31 March 2011 amounted to nil.

	Housing Properties Held for Letting £000's	Housing Properties Held for Construction £000's	Totals £000's
Cost			
Restated Balance as at 1/4/10	31,949	15,129	47,078
Additions during the period	10,036	19,543	29,579
Transfers during the period	15,053	(15,053)	0
Disposals during the period	0	0	0
At 31 March 2011	57,038	19,619	76,657
Depreciation			
Restated Balance as at 1/4/10	806	0	806
Provided during the period	799	0	799
Disposals during the period	0	0	0
At 31 March 2011	1,605	0	1,605
Total Cost less depreciation at 31 March 2011	55,433	19,619	75,052
Social Housing Grant			
Restated Balance as at 1/4/10	13,835	14,959	28,794
Additions during the period	7,802	9,064	16,866
Transfers during the period	10,026	(10,026)	0
At 31 March 2011	31,663	13,997	45,660
Net Book Value			
As at 31 March 2011	23,770	5,622	29,392
Restated as at 31 March 2010	17,308	170	17,478

As stated in note 19, the Association adopted the Component Accounting policy required by SORP 2010 this year, which resulted in a prior year adjustment increasing the value of housing properties by £10,188K at 31 March 2010. During the year ended 31 March 2011, the Association capitalised £9,050K (2010: £19,753K) of major repairs. Social Housing Grant is repayable under certain circumstances.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

4b. Tangible Assets - other

	Land and Buildings £000's	Computer Equipment £000's	Total £000's
Cost			
Balance as at 1/4/10	230	473	703
Additions during the period	0	156	156
At 31 March 2011	230	629	859
Depreciation			
Balance as at 1/4/10	10	375	385
Provided during the period	4	118	122
At 31 March 2011	14	493	507
Net Book Value			
As at 31 March 2011	216	136	352
As at 31 March 2010	220	98	318

None of the Company's properties are held under lease agreements.

Our land and buildings relate to our office at 2 Scarlow Street which was revalued at market value on 30 June 2008 by DM Hall Chartered Surveyors. The historic cost of this site as at 1 April 1996 was £214k but was transferred from Inverclyde Council at nil value.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

5. Stock

	2011 £000's	2010 £000's
Cost of developing properties under New Supply Shared Equity	1,098	1,122
Grant received to develop properties	(1,098)	(1,122)
	<hr/>	<hr/>
General stock	0	0
	<hr/>	<hr/>
	124	119
	<hr/>	<hr/>
	124	119

6a. Debtors due within one year

	2011 £000's	2010 £000's
Rent arrears	3,388	3,558
Less: bad debt provision	(3,287)	(3,239)
	<hr/>	<hr/>
Sundry debtors	101	319
Development agreement (Note 6b)	1,484	2,588
Grant receivable	7,666	10,213
	627	2,673
	<hr/>	<hr/>
	9,878	15,793

6b. Debtors due after more than one year

	2011 £000's	2010 £000's
Sundry debtors	291	233
Development agreement	29,590	34,523
	<hr/>	<hr/>
	29,881	34,756

In accordance with the Development Agreement accounting policy, included in debtors is a balance of £37.6m (£7.7m within one year) in respect of the expected cost of the development work that Inverclyde Council has committed to undertake in order to refurbish the properties. Inverclyde Council has sub-contracted the Company to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure (note 7 and 8) and as work progresses both of these balances will be utilised when the work is actually undertaken.

RIVER CLYDE HOMES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

7. Creditors due within one year

	2011 £000's	2010 £000's
Trade creditors	281	507
Other taxation and social security	153	163
Rents in advance	273	558
Development agreement (Note 8)	7,666	10,213
Loan	7,500	0
Accruals and other creditors	8,872	7,300
	24,745	18,741

Loans are repayable at rates from 0.77735 % to 1.2067% and are secured on the housing stock.

8. Creditors due after one year

	2011 £000's	2010 £000's
Obligated repairs under development agreement	29,590	34,523
Committed Retirement Costs	82	0
	29,672	34,523

Development Agreement

The provision represents the best estimate of the costs of contracted works for the repair of managed properties. This agreement is part of the Development Agreement (note 6a, 6b and note 7) and as work progresses the provision will be utilised when the work is actually undertaken.

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

	2010/11 £000's	2009/10 £000's
9 Employees		
Wages and salaries	6,456	6,755
Social security costs	501	507
Other pension costs	<u>(2,196)</u>	800
Staff costs during period	<u>4,761</u>	<u>8,062</u>
	No.	No.
The average full time equivalent number of persons employed by the Company during the period were as follows:	244.2	260.9
Corporate Services	47.8	49.0
Executive Management Team	5.0	5.0
Operations and Neighbourhoods	84.6	90.3
Property and Renewal	23.5	22.5
Maintenance Team	83.3	94.1
The Directors are defined as the members of the Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments exceed £60,000 per year.		
	£000's	£000's
Aggregate Emoluments payable to Directors (excluding employers NI and pension)	238	240
Emoluments payable to Highest Paid Director (excluding employers NI and pension)		
- in 2009/10 the Chief Executive was only in post for 6 months, therefore was not the highest paid director	90	70
The emoluments of the directors whose emoluments, excluding pension contributions, were over £60,000 per annum were as follows		
	No.	No.
£60,001 to £70,000	0	0
£70,001 to £80,000	2	2
£80,001 to £90,000	0	0
£90,001 to £100,000	1	0
The Company's pension contributions for the Chief Executive in the period amounted to		£13,719
No member of the Board received any emoluments in respect of their services to the Company.		

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

10. Pension Obligations

The Company's employees belong to two Pension funds, the Strathclyde Pension Fund which is part of the Local Government Pension Scheme (LGPS), and the Scottish Housing Associations' Pension Scheme.

(i) **The Strathclyde Pension Fund** is a defined benefit scheme which provides benefits based on the final pensionable salary, the assets of which are held in a separate trustee administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method. The assumptions and other data that have the most significant effect on the determination of the contribution levels of this scheme are as follows:

	31/03/2011 % per annum	31/03/2010 % per annum
Retail Price Inflation	2.8	3.8
Increase in salaries	5.1	5.3
Increase in pension and deferred pensions	2.8	3.8
Discount rate	5.5	5.5

The Company's share of assets in the scheme and expected rate of return were:

	31/03/2011		31/03/2010	
	Assets 2011 £M	Long term Returns 2011 %	Long term	
			Assets 2010 £M	Returns 2010 %
Equities	16,421	7.5	13,854	7.8
Bonds	2,772	4.9	2,339	5.0
Property	1,280	5.5	1,259	5.8
Cash	853	4.6	540	4.8
Total	21,326	6.9	17,992	7.2

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

10. Pension Obligations - The Strathclyde Pension Fund (continued)

Net Pension Liability

	31/03/2011 £000's	31/03/2010 £000's	31/03/2009 £000's	31/03/2008 £000's
Estimated Employer Assets	21,326	17,992	12,179	15,217
Present Value of funded liabilities	(22,985)	(25,330)	(12,988)	(14,061)
Present Value of unfunded liabilities	(563)	0	0	0
Net Pension Liability	(2,222)	(7,338)	(809)	1,156

Analysis of the amount charged to operating profit

	31/03/2011 % £000's	31/03/2010 % £000's	31/03/2009 % £000's	31/03/2008 % £000's
Service costs	22.9 1,005	11.7 549	14.0 678	19.8 275
Past service (gain) / costs	(51.6) (2,268)	3.9 181	0.0 0	0.0 0
Total Operating Charge (A)	(28.7) (1,263)	15.6 730	14.0 678	19.8 275

Analysis of the amount credited to other finance income

	31/03/2011 % £000's	31/03/2010 % £000's
Expected return on Assets	30.9 1,360	17.6 825
Interest on pension scheme liability	(30.9) (1,359)	(19.7) (922)
Net return (B)	(30.9) 1	(2.1) (97)
Net Revenue Account Costs (A) - (B)	2.2 (1,264)	17.7 827

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

10. Pension Obligations - The Strathclyde Pension Fund (continued)

Analysis of the amount in Statement of Total Recognised Surpluses and Deficits

	2010/11 £000's	2009/10 £000's
Opening Balance Losses	(7,468)	(741)
Actuarial gain / (loss) on assets and liabilities recognised in STRSD	3,218	(6,727)
Cumulative Actuarial Losses	(4,250)	(7,468)

Movement in pension deficit during the year

	2010/11 £000's	2009/10 £000's
Deficit at beginning	(7,338)	(809)
Current Service cost	(1,005)	(549)
Past Service return / (cost)	2,268	(181)
Losses on Curtailments	(1,360)	0
Expected Return on Employers assets	1,360	825
Interest Costs	(1,359)	(922)
Employers contribution	1,994	1,025
Actuarial gains / (losses)	3,218	(6,727)
Pension deficit at end of year	(2,222)	(7,338)

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

10. Pension Obligations (continued)

(ii) The Scottish Housing Associations' Pension Scheme

RCH participates in the Scottish Housing Associations' Pension Scheme ('the Scheme). The Scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are commingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate.

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

RCH has elected to operate the final salary with a 1/60th accrual rate benefit structure for new entrants from 3rd December 2007 until 31st March 2011. The default scheme after 1st April 2011 will be a career average salary based on 1/80ths accrual rate, however any new member may elect to upgrade their scheme to the live scheme of final salary with a 1/60th accrual rate, but the new member would be required to pay for the extra costs over the default scheme.

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

10. Pension Obligations - The Scottish Housing Associations' Pension Scheme (continued)

During the accounting period RCH paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were at the rate of 7.7%.

From 1st April 2011 these contribution are changing to:

Final salary with a 1/60th accrual rate – Employers 9.6%; Employee 9.6%

Career average revalued earnings with a 1/80th accrual rate – Employers 6.6%; Employee 6.6%

As at the balance sheet date there were 20 active members of the Scheme employed by RCH. The annual pensionable payroll in respect of these members was £584k

RCH continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement – Non-pensioners	4.6
Investment return post retirement – Pensioners	4.8
Rate of salary increases	4.5

Rate of pension increases

- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005	
(for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables

Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service	%
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions	10.4

The estimated liability of each employer's potential debt on withdrawal from the Scheme has been calculated at 30 September 2010; the amount of employer debt on withdrawal for River Clyde Homes has been calculated as £70,776.

RIVER CLYDE HOMES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

11. Company limited by guarantee

The Company is a company limited by guarantee and does not have a share capital. The liability of the members is limited to £1 each.

12. Reconciliation of movement in reserves

Revenue Reserve	Restated	
	2011 £000's	2010 £000's
Opening funds at 1 April 2010 as previously stated	(8,463)	9,722
Prior year Adjustment (note 19)	10,188	0
As re-stated	<u>1,725</u>	<u>9,722</u>
Surplus for the year	2,847	969
Actuarial gain / (loss) on pension scheme	3,218	(6,727)
Transfer from Revaluation Reserve	4	5
Transfer to designated reserve	(11,363)	(2,244)
Revenue reserve at end of year	(3,569)	1,725

Designated Reserve	2011 £000's	2010 £000's
Opening funds	6,264	4,020
Transfer from revenue reserve	11,363	2,244
Designated reserve at end of year	17,627	6,264

£10.1m of the increase in designated reserve is as a result of the prior year adjustment for component accounting as detailed on page 8

Revaluation Reserve	2011 £000's	2010 £000's
Opening funds	220	225
Transfer to Revenue Reserve	(4)	(5)
Revaluation reserve at end of year	216	220

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

13. Notes to the Cash Flow Statement

Notes to the Cash Flow Statement

	2011 £000's	2010 £000's	Restated	
a) Reconciliation of operating surplus to Net cash inflow from operating activities				
Operating surplus	4,051	6,390		
Depreciation	921	798		
Pension – employee costs	(3,257)	(295)		
Pension – other finance income	1,359	97		
Decrease in debtors	10,790	15,969		
(Increase) / decrease in stock	(5)	14		
(Decrease) in creditors	<u>(6,347)</u>	<u>(14,713)</u>		
Net cash inflow from operating activities	<u>7,512</u>	<u>8,260</u>		
b) Reconciliation of net cash flow to movement in net debt				
Increase / (Decrease) in cash for the period	939	(5,182)		
Loans received	(9,000)	0		
Loan repayments	<u>1,500</u>	<u>0</u>		
Change in net debt	(6,561)	(5,182)		
Opening Net debt	0	0		
Net debt as at 31 March 2010	<u>(6,561)</u>	<u>(5,182)</u>		
c) Analysis of changes in net debt				
	As at 01/04/2010 £000's	Cash Flow £000's	Other Changes £000's	As at 31/03/11 £000's
Cash at bank and in hand	347	939	0	1,286
Debt due within one year	0	(7,500)	0	(7,500)
Debt due after one year	0	0	0	0
	<u>347</u>	<u>(6,561)</u>	<u>0</u>	<u>(6,214)</u>

RIVER CLYDE HOMES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

14. Capital Commitments

	2011 £000's	2010 £000's
Expenditure authorised by the Board	52,328	42,536
less certified	(30,689)	(13,553)
	21,639	28,983

All above commitments are expected to be funded by grant or private finance

15. Unit numbers under management

	2011 No.	2010 No.
Cottage	1,639	1,523
Flat	710	724
Maisonette	255	301
Multi-Storey	938	1,051
Tenement	2,802	2,933
	6,344	6,532

16. Related Parties

Various members of the Board are Tenants of the Company. The transactions with the Company are all done on standard terms, as applicable to all Tenants. There are also Councillors from Inverclyde Council on the Board. Any transactions with Inverclyde Council are made at arm's length, on normal commercial terms and these Board members cannot use their position on the Board to their or the council's advantage.

17. Auditors Remuneration

	2010/11 £000's	2009/10 £000's
The remuneration of the auditors (excluding expenses and including VAT for the period)	17	14

RIVER CLYDE HOMES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

18. Annual Operating Leases

	<u>Per annum</u> <u>£000's</u>	<u>Per annum</u> <u>£000's</u>
	<u>2011</u>	<u>2010</u>
Leases < 1 year	0	0
Leases 1 - 5 years	459	456
Leases > 5 years	0	0
	459	456

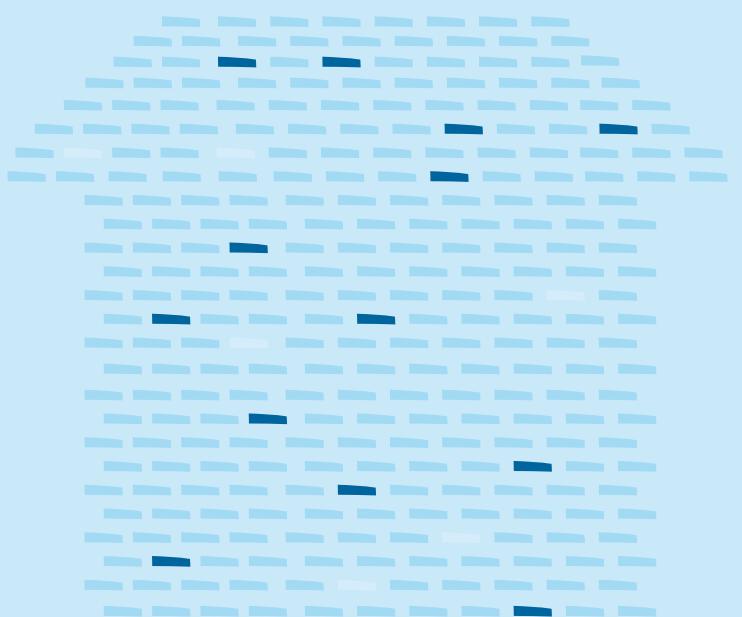
All above leases relate to land and buildings

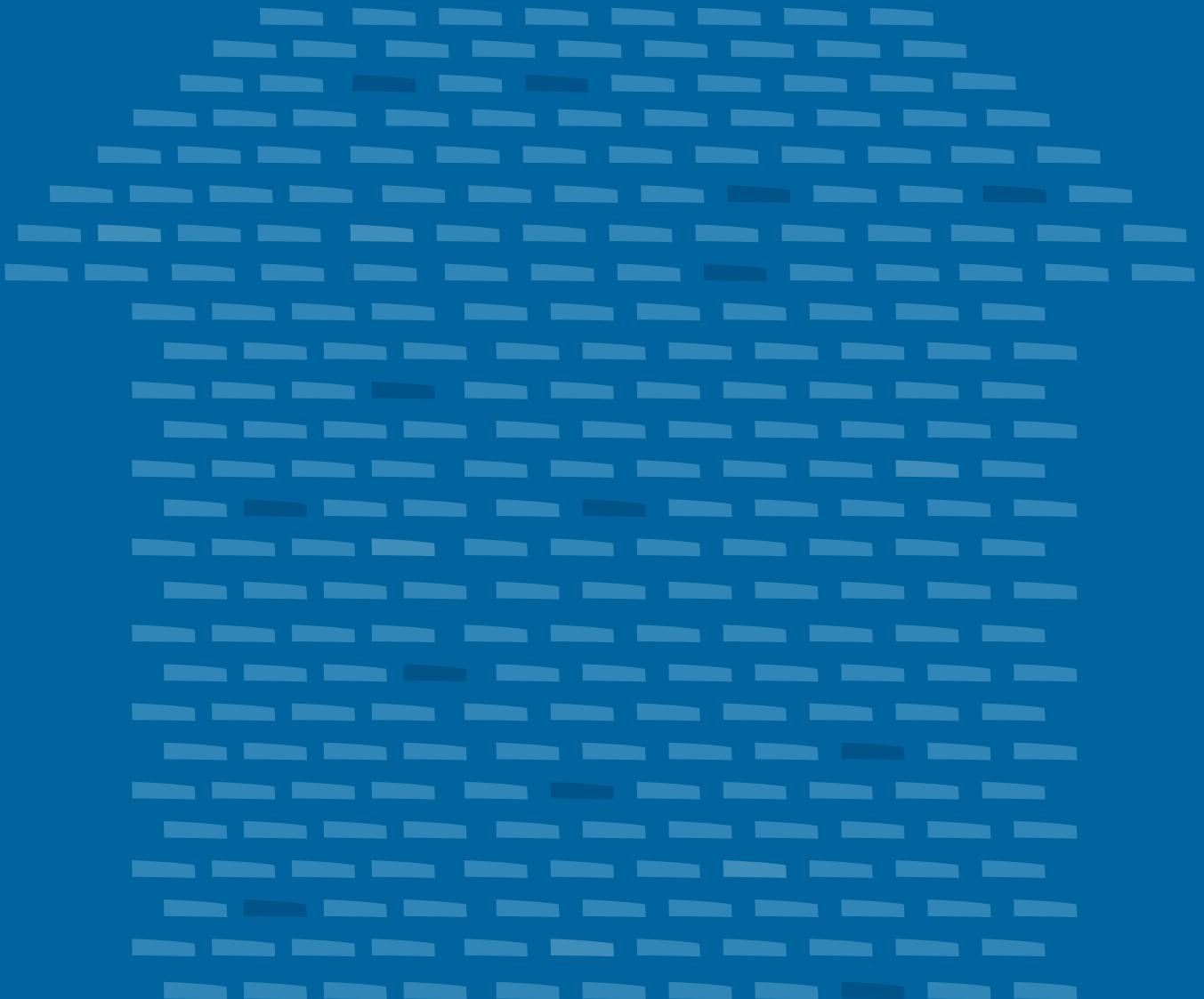
19. Prior Year Adjustment – Component Accounting

As a result of RCH adopting component accounting this year, it has been necessary to restate the value of housing properties and the depreciation calculation of these housing properties as at March 2010. The effect of this prior year adjustment on the balance sheet was to increase the value of housing properties less social housing grant as at 31st March 2010 by £10.849m to £17.478m, increased depreciation by £0.661m to £0.806m and increased the revenue reserve by £10.188m. This £10.188m was then transferred to designated reserves to cover the future non cash cost of depreciation which was not originally expected in the business plan.

The effect of this prior year adjustment on the Income and Expenditure Account was to decrease the 2009/10 turnover by £6.658m and a reduction in the operating costs of £12.150m. This was due to some major repairs which had previously been classed as revenue items, now being capitalised. This resulted in an increase to the operating surplus in 2009/10 of £5.492m to £6.461m. The additional effect of this adjustment in previous years, £4.696m to £10.188m, is shown in the Statement of Total Recognised Surpluses and Deficits on page 25 as a prior period adjustment.

Finally the effect on the Cashflow Statement was to restate the Net Cash Inflow by £5.982m to £8.260m due to the increase of £5.492m in the operating surplus plus £0.490m in depreciation in 2009/10. The purchase of other fixed assets increased by £5.982m to £13,513m. This was due to some major repairs which had previously been classed as revenue items, now being capitalised.





River Clyde Homes is a company limited
by guarantee, registered in Scotland (SC329031)
and a Scottish Charity (SC038584).

