



River Clyde Homes Limited

For The Year Ended 31 March 2009

Registered Social Landlord Registration No.: 362
Company No: SC329031
Scottish Charity No: SC038584

BAKER TILLY UK AUDIT LLP
Chartered Accountants

Glasgow

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Registration Particulars:

Register of Companies	Companies Act 1985 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
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Solicitors

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Auditors

Baker Tilly UK Audit LLP
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274 Sauchiehall Street
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Introduction

The Board present their Annual Report together with the audited accounts for the year ended 31 March 2009. 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 2008 to 31 March 2009.

Principle 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 2009 the current stock is 7,507 - 558 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 is split into 3 directorates namely: Corporate Strategy, Operations and Neighbourhoods and Property & Renewal and the operation of the staff and directorates is governed by a full range of policies and regulations.

The Members of the Board of the Company during the period to 31 March 2009 were as follows:

Debbie Wright	Resigned Dec 08	Community Member
Fergus McCallum	Re-appointed at AGM Dec 08	Community Member
John M Williamson	Re-appointed at AGM Dec 08	Community Member
Alex Bowers	Re-appointed at AGM Dec 08	Tenant
Wilson Dunlop	Re-appointed at AGM Dec 08	Tenant
Charlie Macgregor	Re-appointed at AGM Dec 08	Community Member
Roy Steel, (Chair)	Re-appointed at AGM Dec 08	Tenant
Ken MacDougall	Resigned Dec 08	Community Member
Kit Shields	Resigned Dec 08	Tenant
Duncan Smith	Resigned Apr 08	Tenant
Jim Grieve	Resigned Apr 08	Councillor – Inverclyde Council
David Wilson	Resigned Mar 09	Councillor – Inverclyde Council
Katrina Anderson	Re-appointed at AGM Dec 08	Tenant
Ken Ferguson	Re-appointed at AGM Dec 08	Councillor – Inverclyde Council
Charlie McCallum	Resigned Feb 08 Appointed Mar 09	Councillor – Inverclyde Council
Iain McKenzie	Appointed May 08	Councillor – Inverclyde Council
Jim Clocherty	Appointed May 08	Councillor – Inverclyde Council
Sam McEwan	Appointed Feb 09	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 2009 were as follows:

Chief Executive	Karen Neary	In post
Director of Corporate Services	James Aird	In post
Director of Operations and Neighbourhoods	David McCready	In post
Director of Property and Renewal	John Duncan	Resigned Feb 09

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, the membership extended only to Board 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.

OUR OBJECTIVES AND STRATEGY

This is the first full year of operation of River Clyde Homes (RCH) as it commenced trading on 3 December 2007 and it has been a 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 his fellow Board members throughout the process. The Chief Executive, Karen Neary, along with her senior Directorate team were also in post prior to the transfer date with a small Management team and this allowed a degree of planning to take place prior to Transfer to allow a seamless transition to the new organisation.

Unfortunately for RCH one of the Directors, John Duncan, resigned his post in February 2009 to take up a new role in the sector.

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 the continuation of the vision and promises made to tenants has been delivered by the Board and Senior Management Team.

RCHs 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.

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 cost of demolition and investment was estimated in the business plan over this period to 2015/16 to meet the SHQS and is estimated at £113m. The grant subsidy from the Scottish Government is £53.7m leaving a balance to be funded of £59.3m, which will be funded from a combination of rental income and loans.

This year the SHQS target of 5% was attained with £10m of expenditure predominately on internal modernisations work.

In addition to the investment programme there is an ambitious new build programme to facilitate 1,050 new homes in the same timescale, of which 850 will be available for rental and the balance for sale under low cost home ownership. The estimated cost of this new build programme is £145.74m of which there will be Housing Association Grant available of approximately £89.708m; the balance of £56.032m will be funded from loans.

During this year the preparation for 335 new build units was completed and ready to go on site in August 2009.

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 £27.611m relates mainly to the income from the letting of properties which accounts for £27.273m of this total. The balance of income of £0.338m relates to Supporting People Income.

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.

Total Operating Expenditure was £25.052m, consisting of:

- Employees of £7.595m
- Running costs £2.662m
- Repairs and Maintenance £4.858m
- Demolition, Investment and Regeneration Expenditure £9.937m

The net surplus for the year after transfer to designated reserves was £0.346m and this was transferred to reserves; see Note 11 on page 44. This will be essential to fund the investment programme in future years.

Balance Sheet

The housing stock was transferred to RCH at nil value and therefore the net book value in the Balance Sheet is nil. 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.

The debtors balance is £14.656m of which the gross rent debtor accounts for £3.220m. 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 are fully provided for in the accounts and the current Tenant arrears has a provision for bad debt based on the value of the debt.

The cash in hand at the year end of £5.529m.

Reserves

Note 11 on page 43 details the reserve position at the year end.

Revenue Reserve

From a surplus of £2.866m, £2.52m was transferred to designated reserves plus £0.005m was transferred from revaluation reserve to the revenue reserve which leaving a revenue reserve, excluding pension, of £0.346m. This will be utilised in future years to cash flow the investment programme as a first resort before any loan is drawn down.

Designated Reserves

As part of the Transfer Agreement, the first £1m of any potential indemnity claim will in the first 8 years 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 last years accounts. If this reserve is not called upon within the 8 year timescale of the VAT arrangement then the proceeds can be used for general expenditure within RCH. A further £0.5m was earmarked in 2007/08 to meet the commitment of future major improvement programmes.

In 2008/09 a further £1.520m of VAT receipts have been added to the designated reserve and earmarked to cover the cost of future environmental works and to fund the costs of employing apprentices. A further £1m was also added to the designated reserve to cover the cost of front funding our regeneration and investment programmes.

Cash Flows

The Cash Flow statement is shown on page 24. The net cash outflows from operating activities were £10.219m. The principal cash outflows were operating costs and investment. The cash outflows included £12.2m of VAT receipts as a result of the VAT agreement which were received in 2007/08 but which were remitted back to HMRC in April 2009.

Financing and Liquidity

The Balance Sheet shows there was no debt drawn down in the first full year and the cash in hand was £5.529m. The first full year's activities cash flow was managed so that RCH would fund the current year's activities without recourse to a loan. In future years, once the investment programme is fully underway, there will be recourse to borrowing 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 and the grants from the Scottish Government amount to £141m. The business plan assumes that the peak debt will be reached in year 2017 and repaid by year 2026. RCH will have a hedging policy in place in the next financial year prior to entering into any loan debt.

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 5,000 houses to meet the Scottish housing quality standard
- Build 1,050 new houses for rent and low cost ownership
- Invest in operating processes to ensure customer satisfaction.

OPERATING REVIEW

This is the first full 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

Rent conference

A Saturday morning rent conference was held in February to consult with Tenants on the rent guarantee and the RPI to be applied to 2009/10 rent base. The conference invited all Tenants along with the Tenants Information Service (TIS) and tried to demonstrate how the Tenants money would be spent next year and over a 30 year period.

The day was very successful and invited debate on this and other areas of the business.

Tenant led inspections

RCH has undertaken an innovative series of Tenant Led inspections in various estates. These inspections consist of local tenants together with RCH's staff and staff from Inverclyde Council and other appropriate agencies such as the Water Board or British Rail staff. The inspection visits identify issues of concern and assess which items can be dealt with rapidly and which items require longer term solutions. The inspection visits have been well received by the tenants and a further programme is planned for 2009/10.

Collaboration with Strathclyde Police - Building Stronger Communities

Two very successful pilot projects have been running in the Bardrainey/Slaemuir area of Port Glasgow and in the Broomhill area of Greenock. These 2 projects are a joint working initiative involving Strathclyde Police, RCH and Inverclyde Council to tackle the issues of petty crime which can make areas become targets for more serious crime. Issues such as graffiti and loitering have been tackled during the projects. A recent review of the Broomhill area was undertaken and the joint working of the Police, RCH and Inverclyde Council resulted in a 4 page newsletter being delivered to homes in the Broomhill area highlighting the work which has been undertaken during the project. The instances of petty crime and vandalism have decreased and the amount of graffiti has been significantly reduced. RCH set up a rapid response team to ensure speedy removal of fly tipping to help keep opportunities for petty crime and vandalism to a minimum.

Scottish Secure Tenancy (SST) Sign up

All tenants of RCH who transferred from Inverclyde Council were automatically transferred to RCH tenancies; however RCH tenancy agreements included enhanced rights for tenants and all existing tenants are being visited in their homes by staff to sign on to the RCH tenancy agreements. There is also a commitment to ensuring that tenants recognise their rights and responsibilities and a Good Neighbour agreement is also part of the contract between the tenant and RCH. Over 2000 tenants have already been signed up onto the new RCH tenancy agreement.

Tenants Participation

In October 2008 RCH launched its Tenant Participation Strategy at a local event present at which were many RCH's tenants, representatives of local tenants and residents groups, local authority representatives and staff from the Tenants Information Service (TIS) who had assisted with the development of the strategy.

Seventeen tenants groups are now Registered Tenants' Organisations (RTO's) and have benefited from the enhanced funding arrangements now in place with RCH. The Registered Tenants' Organisations that meet the funding criteria now receive a basic administration grant of £300 per year and can apply for additional Project Grants for up to £500.

The Registered Tenants' Organisations continue to build up their groups and have an active role in their areas. RCH, the Council and the local RSL's are committed to developing tenant participation to ensure that the views of tenants and residents influence the future direction of housing in Inverclyde and as such are working collaboratively to establish a new over-arching tenants' and residents' body to focus on the wider issues affecting tenants and residents throughout the whole Inverclyde area. Work to establish the new over-arching body will continue in the coming year with an initial funding package to be provided by the participating organisations.

Introduction of new Needs Based Housing Allocations Policy

In the run up to the housing stock transfer in December 2007 RCH worked closely with tenants, applicants, the Federation of Inverclyde Tenants & Residents Association (FITRA) and other groups to develop a new "Needs Based Housing Allocation Policy" that would comply with relevant legislation, meet the needs of our tenants and assist the Association in delivering its promises to tenants.

To facilitate the introduction of the new policy alterations were required to upgrade the computer operating system and consequently, by agreement between RCH, Inverclyde Council and the Scottish Government, the date of the introduction of the new Needs Based Housing Allocation Policy was planned for August 2008.

The policy, as approved by the Board, came into operation on time and as planned in August 2008. RCH is dedicated to providing high quality housing services to all of our customers and is committed to continually improving service delivery. Therefore, the new Needs Based Housing Allocation Policy will be regularly monitored, reviewed and consulted upon with tenants, applicants and other interested parties to ensure that it meets the needs of tenants and the objectives of RCH.

Fire at Carwood Street, Greenock

In the early hours of the morning of 29th December 2008 a major fire broke out in Carwood Street/Sinclair Street in the East End of Greenock. RCH had prepared an emergency plan for such an event over the Christmas and New Year holiday period, but the ferocity of the fire took everyone by surprise. Thankfully no tenants were injured but the fire affected 15 families who had to be put in temporary accommodation.

In a coordinated effort between the various sections of RCH and its partners, including the emergency services and Inverclyde Council all tenants were found temporary accommodation that day and families given emergency funds for children's clothing and basic essentials. The buildings were made secure and what could be salvaged of the tenant's possessions was put into store. On returning from the holiday break, all affected tenants were rehoused. The buildings will now be demolished.

CORPORATE ISSUES

Family friendly benefits

RCH is committed to supporting work-life balance and recognises the changing demands of family life; finding the right balance between work and home life can benefit both employee and employer.

Health & Wellbeing

By addressing issues such as stress and offering programmes for individuals to manage their health, our aim is to make RCH a place where people feel supported at work. We are close to achieving the Healthy Working Lives Bronze Award and look forward to achieving the Silver, Gold and Mental Health & Well-being Commendation Awards. The Bronze Award demonstrates our commitment to Health and Safety issues in the workplace, including a comprehensive risk assessment plan. We have made significant improvements to staff attendance and have introduced effective occupational health and counselling services.

Learning Opportunities

We have continued to lead on innovative, participative and engaging methods of training delivery, upskilling the workforce to meet the challenges of improving service delivery to our customers.

Benefits for Our People

As part of the drive to make RCH a great place to work, we offer a wide choice of benefits including:

- Competitive salaries including annual increments
- Modern HR policies which reflect best practice
- Excellent holiday entitlement
- Final salary pension scheme
- Generous company sick pay
- Culture of encouraging excellent performance

Apprentices

RCH is committed to the provision of equality of opportunity for all. When we recruit, we need to know we are hiring the best people who can demonstrate that they are highly capable and motivated to achieve. With the Modern Apprenticeship framework we have the added benefit of high quality training to industry-recognised standards. Our 6 apprentices appointed in September 2008 are able to learn skills that are vitally important and which will benefit them in their future lives. We are delighted to be working in partnership with Skills Development Scotland, Inverclyde Council and James Watt College (especially during their landmark centenary year) in order to develop this talent.

International Vocational Learning

Two Austrian students spent almost three weeks with RCH where they received an overview of various aspects of the housing business as part of an international work placement with James Watt College through the Leonardo da Vinci project.

Partnership

We are committed to promoting and maintaining the best relationship with our trade union partners through the creation of a real social partnership. Our relationship is based on co-operation, mutual understanding and respect. We have taken pragmatic decisions during exciting and challenging times.

Up Close

RCH's Up Close initiative was designed to engage and inspire our tenants, residents and the Inverclyde Community at large. Up Close is, above all else, a description of how RCH intends to relate to our customers. We are a new and different kind of landlord – we want, and need to be, Up Close with the people we serve. The Up Close campaign is one way of demonstrating that commitment.

Up Close is designed to:

- Acclaim local community champions
- Promote and maintain the momentum of the transformation of the area
- Encourage local people to reflect on Inverclyde's heritage and shape its future
- Encourage communities to be directly involved in improvements in their area.

These elements very much echo RCH's commitment to keeping customers at the heart of everything we do. In year 2008/09 we planned and researched a major community engagement project to result in an exhibition in Greenock's Oak Mall Shopping Centre, began a search for six Real Community Heroes and undertook an initiative in primary schools which will feature in the exhibition.

TALK Initiative

The Income Generation Team has introduced a TALK initiative which encourages our tenants who may have a problem paying their rent, not to ignore it, but to share it with our friendly, helpful team. Given the current economic climate, the team are aware that many people are finding themselves out of work for the first time, so it is essential that our tenants have someone who will discuss any change in their circumstances, assist them in maximising their income by ensuring that they receive all the benefits they are entitled to and to help them complete housing benefit claim forms etc. If a tenant finds themselves with rent arrears they can come and talk to the staff who will discuss suitable, realistic arrangements with them to pay these. Staff will meet with tenants in the office or in the tenants home if they would prefer this. TALK leaflets are enclosed with all correspondence sent out by the team to remind our tenants that we are here to help them, how we can be contacted and how to make payments. The key message is 'Don't ignore it TALK to us about it. We are here to help'

ICT Strategy

The ICT strategy was agreed by the Board in February 2009. The agreed capital budget was £1.8m to be expended over the next 2-3 years. The principal components of this expenditure being the implementation of a new housing management system and changes to internally supported IT infrastructure.

Payroll

During the course of 2008/09 we successfully changed to a new payroll provider and standardised pay cycles throughout the organisation.

PROPERTY AND RENEWAL

Investment

RCH has a major task to perform by 2015/16 in terms of the improvement of sustainable units to bring them up to the Scottish Housing Quality Standard, and the demolition of unsustainable stock. To enable this, and as part of the transfer agreement, grant is awarded by the Scottish Government. For the year to 31 March 2009 the available grant, the actual expenditure and grant claimed are as follows (there were no additional monies from borrowing):-

	Available Grant	Expenditure	Grant Claimed
Improvements	£5.231m	£10.011m	£5.231m
Demolition	£1.624m	£1.169m	£1.189m
Asbestos	£0.772m	£0.259m	£0.230m

RCH successfully met its target of 5% of its stock achieving the Scottish Housing Quality Standard (SHQS) by 31st March 2009. The target for 31st March 2010 is 12% and programmes are in place to ensure this is achieved.

There are five key elements to the SHQS.

- Above tolerable standard
- Free from serious disrepair (which is the basis of the external works programme)
- Energy efficient (basis of central heating programme and information works)
- Modern facilities (which comprises the main part of the internal works programme)
- Health, Safe and Secure (elements if this are apportioned to the internal and external works programmes)

The following programmes ensure that SHQS will be achieved for each dwelling.

Internal Works or mini modifications have been completed in 665 properties in Port Glasgow, Greenock and Gourock with new kitchens, bathrooms and rewires being completed. The team has also replaced 113 central heating systems.

External works have taken place at the BISF homes in Greenock's East End. Phase 3 of the works, including 10 additional properties not on the original plan, was completed in February 2009. These works included window and door replacement, insulation and cladding. Phase 4 commenced in February 2009 and is progressing on target with an estimated completion date of October 2009. The external cladding works have commenced on Regent, Royal and Ravenscraig courts totaling 217 properties and are expected to be complete in August 2009.

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 meant 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 if required.

Environmental Improvements - The environmental works programme is due to commence later in the year which will ensure that the external environment of properties are safe and in good condition.

Demolition

The Demolition of Lynedoch Court is nearing completion with all hand demolition work complete leaving only the final phase of machine demolition on the final 6/7 floors. Estimated completion date is July 2009. Contractors will be on site in April 2009 to commence the internal soft strip prior to the demolition of Kelso Court.

Asbestos

The asbestos sample survey was complete and asbestos removal and testing is now ongoing along with the SHQS works.

Building the future

Last year, work continued to ensure an early start to RCH's ambitious regeneration programme. Planning permission was sought to start work on 335 new homes in Port Glasgow and the East End of Greenock.

The new build programme is one of the largest social housing projects in Scotland and reflects RCH's commitment to tenants to provide high quality social housing specifically designed to meet the needs of the communities it serves.

The 335 houses planned for the first two development contracts comprise a mixture of two, three and four bedroom houses with gardens as well as five wheelchair accessible homes. Current RCH tenants whose homes are being demolished will move directly into the new-build properties on completion.

Consultation underpinned the entire process and tenants in Woodhall, Oronsay, Moray Road and the East End of Greenock made a considerable contribution to the designs and layouts of their homes and estates.

Of the 335 homes to be built, 331 are back and front door houses, with a small number of flats. This reflects what our communities need and aspire to and RCH are pleased to be able to meet these expectations.

Factoring

This year we established River Clyde Property Management, a factoring service for homeowners. We have worked closely with owners to provide them with more information about the issues which affect them. There were over 700 responses from homeowners in our door-to-door survey to find out their expectations and a forum has been created made up of 50 factored owners. This is an important first step to improving two-way communications. We are currently working on a new set of service standards to meet modern day expectations.

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:



17/9/09

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 25 to 27, 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 1985 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.

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 misstatement 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.

The Board have continued to review the system of internal financial control in the Company during the period ended 31 March 2009. 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



Date: 17/9/09

Corporate Governance

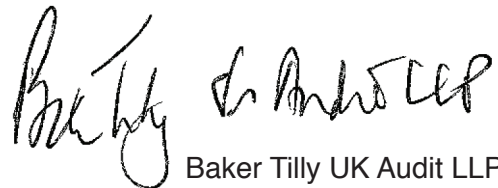
In addition to our audit of the financial statements, we have reviewed the Boards statement on pages 17 and 18 concerning the Company's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the Bulletin 1999/5 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 17 and 18 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
Registered Auditors
Chartered Accountants
Glasgow

Date: 17/9/09

We have audited the financial statements on pages 22 to 46, which have been prepared under the accounting policies set out on pages 25 to 27.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board and auditors

The Board's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement on Board Responsibilities on page 16.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Board's Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions with the Company is not disclosed.

We read the Board's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007
- the information given in the Directors Report is consistent with the financial statements



Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accounts
Glasgow

Date: 17/9/09

	Notes	Year to 2009 £000	4 Months to 2008 £000
Turnover	2	27,611	8,611
Less: Operating costs	2	(25,052)	(6,920)
Operating surplus		2,559	1,691
Profit on sale of fixed assets		287	86
Interest receivable and other income		206	81
Interest payable and similar charges		(239)	(127)
Other financing income	9	53	47
Surplus on ordinary activities before taxation		2,866	1,778
Taxation on surplus on ordinary activities		0	0
Surplus for the year	11	2,866	1,778
Transfer to designated Reserves		(2,520)	(1,500)
Revenue Reserve	11	346	278

The results for the year relate wholly to continuing activities.


RIVER CLYDE HOMES
STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2009

	Year to 2009 £000's	4 Months to 2008 £000's
Surplus for the year	2,866	1,778
Pension deficit transferred from Inverclyde Council	0	(351)
Actuarial (loss)/gain on pension scheme	(2,223)	1,479
Total recognised surplus for the year	643	2,906

		2009		2008	
	Notes	£000's	£000's	£000's	£000's
Fixed Assets					
Housing properties - depreciated cost	4		4,259		0
Less: Social Housing Grant	4		(4,259)		0
			0		0
Other fixed assets	4		385		413
			385		413
Current Assets					
Stock		133		116	
Debtors	5a	14,656		3,097	
Debtors due after more than one year	5b	51,862		69,774	
Cash at bank and in hand		5,529		15,543	
		72,180		88,530	
Creditors: amounts falling due within one year	6	(16,115)		(17,189)	
Net current assets excluding pension asset		56,065		71,341	
Pension Asset		0		1,156	
Net current assets including pension asset			56,065		72,497
Total assets less current liabilities			56,450		72,910
Creditors: amounts falling due after more than one year	7		(51,862)		(69,774)
Pension Liability	9		(809)		0
Net Assets			3,779		3,136
Capital and Reserves					
Revaluation Reserve	11	225		230	
Designated Reserve	11	4,020		1,500	
Revenue Reserve	11	(466)		1,406	
			3,779		3,136

These financial statements were approved and authorised for issue by the Board on 16 September 2009 and signed on their behalf by:

Chairman of Board: 

Secretary: 

Board member: 

	2008		2009	
	£000's	£000's	£000's	£000's
Net cash (outflow)/inflow from operating activities		(10,219)		15,699
Return on investments and servicing of finance				
Interest received	206		81	
Interest paid	(239)		(127)	
Other finance income	53		47	
Net cash inflow from returns on investments and servicing of finance		20		1
Capital expenditure and financial investment				
Purchase of other fixed assets	(102)		(243)	
Sale of properties	1,921		523	
Repayment of proceeds from sale of properties	(1,634)		(437)	
Net cash inflow/(outflow) from capital expenditure		185		(157)
Net cash (outflow)/inflow before financing		(10,014)		15,543
Financing				
Loan advances received	0		0	
Loan principal repayments	0		0	
Loan redemption payments	0		0	
Net cash inflow from financing		0		0
(Decrease)/Increase in cash period		(10,014)		15,543

Further details are given in note 12

1 Principal Accounting Policies

The Company is incorporated under the Companies Act 1985 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 1985, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and in compliance with The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords" and applicable Accounting Standards.

a. Basis of Preparation

The accounts are prepared in accordance with applicable accounting standards, under the historical cost convention and on a going concern basis.

b. Turnover

Turnover represents rental income from the letting of properties, 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.

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:

- an increase in net rental income, or
- a reduction in future maintenance costs, or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria are currently charged to the income and expenditure account.

d Depreciation

Housing Land and Buildings

Housing Properties are stated at cost less social housing grant, other public grants and accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%.

Housing under construction is not depreciated.

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.

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.

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.

2 Particulars Of Turnover, Operating Costs and Operating Surplus

	Turnover	Operating Costs	Year to 2009 Operating Surplus / (Deficit)	4 Months to 2008 Operating Surplus / (Deficit)
	£000's	£000's	£000's	£000's
Social lettings	27,273	24,636	2,637	1,704
Other activities	338	416	(78)	(13)
Total	27,611	25,052	2,559	1,691
2008	8,611	6,920	1,691	

3 Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Social Letting Activities

	Year to 2009 £000's	4 Months to 2008 £000's
Rent receivable net of Service Charges	21,655	7,129
Service Charges	435	0
Gross income from rents and service charge	22,090	7,129
Less voids	(1,835)	(571)
Net income from rents and service charges	20,255	6,558
Grants from the Scottish Ministers	6,424	1,787
Other Income	594	158
Total turnover from social letting activities	27,273	8,503
Management and maintenance administration costs	10,185	3,536
Planned and cyclical maintenance inc major repair costs	9,087	1,239
Reactive maintenance costs	4,858	1,635
Bad Debts - rents and service charge	506	389
Operating costs for social letting activities	24,636	6,799
Operating Surplus for Letting Activities	2,637	1,704
2008	1,704	

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

3b Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Social Letting 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 2009 Operating (Deficit) £000's	4 Months to 2008 Operating (Deficit) £000's
Support activities	0	0	338	0	338	416	(78)	(13)
Total from other activities	0	0	338	0	338	416	(78)	(13)
2008	0	0	108	0	108	121	(13)	

4 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 77 properties have been sold under Right to Buy resulting in a gain on sale of £287K.

Security has been granted to lenders in respect of housing properties, net cumulated interest capitalised on housing properties at 31 March 2009 amounted to nil.

	Housing Properties Held for Letting £000's	Housing Properties Held for Construction £000's	Totals £000's
Cost			
Balance as at 1/4/08	0	0	0
Additions during the period	406	3,853	4,259
Revaluations during the period	0	0	0
Disposals during the period	0	0	0
At 31 March 2009	406	3,853	4,259
Depreciation			
Balance as at 1/4/08	0	0	0
Provided during the period	0	0	0
Disposals during the period	0	0	0
At 31 March 2009	0	0	0
Social Housing Grant			
Balance as at 1/4/08	0	0	0
Additions during the period	406	3,853	4,259
At 31 March 2009	406	3,853	4,259
Net Book Value			
As at 31 March 2009	0	0	0
As at 31 March 2008	0	0	0

4 Tangible Assets - Other

	Land and Buildings £000's	Computer Equipment £000's	Total £000's
Cost			
Balance as at 1/4/08	230	275	505
Additions during the period	0	102	102
Revaluations during the period	0	0	0
Disposals during the period	0	0	0
At 31 March 2009	230	377	607
Depreciation			
Balance as at 1/4/08	0	92	92
Provided during the period	5	125	130
Disposals during the period	0	0	0
At 31 March 2009	5	217	222
Net Book Value			
As at 31 March 2009	225	160	385
As at 31 March 2008	230	183	413

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.

5a Debtors due within one year

	2009	2008
	£000's	£000's
Rent arrears	3,220	3,246
Less: bad debt provision	(2,905)	(2,850)
	315	396
Sundry debtors	2,113	1,130
Development agreement	9,302	0
Grant receivable	2,926	1,571
	14,656	3,097

5b Debtors due after more than one year

	2009	2008
	£000's	£000's
Development agreement	51,862	69,774
	51,862	69,774

In accordance with the Development Agreement accounting policy, included in debtors is a balance of £61.1m (£9.3m 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 and as work progresses both of these balances will be utilised when the work is actually undertaken.

6 Creditors due within one year

	2009	2008
	£000's	£000's
Trade creditors	1,888	831
Other taxation and social security	26	12,215
Rents in advance	424	255
Development agreement	9,302	0
Accruals and other creditors	4,475	3,888
	16,115	17,189

7 Creditors due after one year

	2009	2008
	£000's	£000's
Obligated repairs under development agreement	51,862	69,774
	51,862	69,774

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 and as work progresses the provision will be utilised when the work is actually undertaken.

8 Employees

	Year to 2009	4 Months to 2008
	£000's	£000's
Wages and salaries	6,423	1,936
Social security costs	486	144
Other pension costs	686	276
Staff costs during period	7,595	2,356

	No.	No.
The average full time equivalent number of persons employed by the Company during the period were as follows:	264.9	263.5
Corporate Services	34.7	34.5
Executive Management Team	4.0	4.0
Operations and Neighbourhoods	108.5	111.5
Property and Renewal	21.8	23.5
Maintenance Team	95.9	90.0

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)	338	108
Emoluments payable to Highest Paid Director (excluding employers NI)	109	34

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	3	3
£70,001 to £80,000	0	0
£80,001 to £90,000	0	1
£90,001 to £100,000	1	0

The Company's pension contributions for the Chief Executive in the period amounted to £17,320

No member of the Board received any emoluments in respect of their services to the Company.

9 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 SFHA 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:

	31/03/2009 % per annum	31/03/2008 % per annum
Retail Price Inflation	3.1	3.6
Increase in salaries	4.6	5.1
Increase in pension and deferred pensions	3.1	3.6
Discount rate	6.9	6.9

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

	31/03/2009		31/03/2008	
	Assets 2009 £M	Long term Returns 2009 %	Assets 2009 £M	Long term Returns 2009 %
Equities	8,891	7.0	11,049	7.7
Bonds	1,949	5.4	2,190	5.7
Property	974	4.9	1,497	5.7
Cash	365	4.0	481	4.8
Total	12,179	6.5	15,217	7.1

9 Pension Obligations - The Strathclyde Pension Fund (continued)

Net Pension Asset/(Liability)

	31/03/2009	31/03/2008
	£000's	£000's
Estimated Employer Assets	12,179	15,217
Present Value of scheme liabilities	12,988	14,061
Net Pension Asset/(Liability)	(809)	1,156

Analysis of the amount charged to operating profit

	31/03/2009		31/03/2008	
	%	£000's	%	£000's
Service costs	14.0	678	19.8	275
Total Operating Charge (A)	14.0	678	19.8	275

Analysis of the amount credited/(charged) to other finance income

	31/03/2009		31/03/2008	
	%	£000's	%	£000's
Expected return on Assets	23.1	1,114	26.2	363
Interest on pension scheme liability	(20.6)	(996)	(22.8)	(316)
Bid Value restatement		(65)		0
Net return (B)	0.0	53	3.4	47
Net Revenue				
Account Costs (A) - (B)	14.0	625	16.4	228

9 Pension Obligations - The Strathclyde Pension Fund (continued)

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

	Year to 2009	4 Months to 2008
	£000's	£000's
Opening Balance Gains and Losses	1,479	0
Bid Value restatement	3	0
Actuarial (losses) / gains	(2,223)	1,479
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0
Actuarial (loss) / gain on assets and liabilities recognised in STRSD	(2,223)	1,479
Cumulative Actuarial (Losses) and Gains	(741)	1,479

Movement in pension surplus / deficit during the period

	Year to 2009	4 Months to 2008
	£000's	£000's
Surplus (Deficit) at beginning	1,156	(351)
Bid Value restatement	(65)	0
Current Service cost	(678)	(275)
Expected Return on Employers assets	1,114	363
Interest Costs	(996)	(316)
Employers contribution	883	256
Actuarial (losses) / gains	(2,223)	1,479
Pension (deficit) / surplus at end of year	(809)	1,156

9 Pension Obligations (continued)

(ii) The SFHA Pension Scheme

RCH participates in the SFHA Pension Scheme.

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

The Scheme offers three 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.

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.

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 actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

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

As at the balance sheet date there were 9 active members of the Scheme employed by RCH. RCH continues to offer membership of the Scheme to its employees.

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

9 Pension Obligations - The SFHA Pension Scheme (continued)

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million (equivalent to a past service funding level of 83.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.¹ Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% pa
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
Rate of pension increases	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5.0%)	
Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non - pensioners	21.6	24.4
Pensioners	20.7	23.6

¹ The figures quoted above assume that the funding update will be finalised using the long cohort 1% underpin mortality assumption.

9 Pension Obligations - The SFHA Pension Scheme (continued)

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures will be:

Benefit structure	Joint contribution rate (% of pensionable salaries per annum)
	23.1 comprising employer contributions of 15.4% and member contributions of 7.7%
Final salary 60ths	
	19.9 comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 60ths	
	17.9 comprising employer contributions of 11.9% and member contributions of 6.0%
Career average 70ths	

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2020.

9 Pension Obligations - The SFHA Pension Scheme (continued)

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2009.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

10 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.

11 Reconciliation of movement in reserves

Revenue Reserve	2009	2008
	£000's	£000's
Opening funds	1,406	0
Surplus for period	2,866	1,778
Pension deficit transferred from Inverclyde Council	0	(351)
Actuarial (loss)/gain on pension scheme	(2,223)	1,479
Transfer from Revaluation Reserve	5	0
Transfer to designated reserve	(2,520)	(1,500)
Revenue reserve at end of year	(466)	1,406

Designated Reserve	2009	2008
	£000's	£000's
Opening funds	1,500	0
Transfer from revenue reserve	2,520	1,500
Designated reserve at end of year	4,020	1,500

Revaluation Reserve	2009	2008
	£000's	£000's
Opening funds	230	0
Transfer to Revenue Reserve	(5)	0
Revaluations in year	0	230
Revaluation reserve at end of year	225	230

12 Notes to the Cash Flow Statement

Notes to the Cash Flow Statement	2009 £000's	2008 £000's
a) Reconciliation of operating surplus to Net cash inflow from operating activities		
Operating surplus	2,559	1,691
Depreciation	130	92
Pension – employee costs difference	(205)	19
Pension – other finance income	(53)	(47)
Decrease/(Increase)in debtors	6,353	(70,363)
(Increase) in stock	(17)	(14)
(Decrease)/Increase in creditors	(18,986)	84,321
Net cash (outflow)/inflow from operating activities	(10,219)	15,699
b) Reconciliation of net cash flow to movement in net debt		
(Decrease)/Increase in cash for the period	(10,014)	15,543
Loans received	0	0
Loan repayments	0	0
Change in net debt	(10,014)	15,543
Opening Net debt	0	0
Net debt as at 31 March 2009	(10,014)	15,543

c) Analysis of changes in net debt

	As at 01/04/2008 £000's	Cash Flow £000's	Other Changes £000's	As at 31/03/09 £000's
Cash at bank and in hand	15,543	(10,014)	0	5,529
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
	15,543	(10,014)	0	5,529

13 Capital Commitments

To date there are no capital commitments

14 Unit numbers under management

	2009	2008
	No.	No.
Cottage	1,546	1,584
Flat	757	771
Maisonette	363	370
Multi-Storey	1,118	1,175
Tenement	3,165	3,215
	6,949	7,115

15 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.

16 Auditors Remuneration

	Year to 2009 £000's	4 Months to 2008 £000's
The remuneration of the auditors (excluding expenses and including VAT for the period)	14	12

17. Annual Operating Leases

	Per annum £000's	Per annum £000's
	2009	2008
Leases < 1 year	70	94
Leases 1 - 5 years	340	318
Leases > 5 years	0	0
	410	412

All above leases relate to land and buildings.