



# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

# Contents

Management Committee, Executives and Advisers .....	3
Report of the Management Committee .....	5
Statement of Management Committee's Responsibilities .....	15
Management Committee's Statement on Internal Financial Controls .....	16
External Auditors' Report on Corporate Governance Matters .....	17
Independent Auditors' Report .....	18
Group Statement of Comprehensive Income .....	20
Company Statement of Comprehensive Income .....	21
Group Statement of Financial Position .....	22
Company Statement of Financial Position .....	23
Group Statement of Changes in Reserves .....	24
Company Statement of Changes in Reserves .....	24
Group Statement of Cash Flows .....	25
Company Statement of Cash Flows .....	26
Notes to the Financial Statements .....	27



## REGISTRATION PARTICULARS:

### PRINCIPAL OFFICE AND REGISTERED ADDRESS:

Roxburgh House,  
102-112 Roxburgh Street,  
Greenock PA15 4JT

HOME FIX SCOTLAND

Company Number: SC3228870

### RIVER CLYDE HOMES

Register of Companies: Companies Act 2006

Company Number: SC329031

Charity Number: SC038584

Property Factor Registration Number: PF000152

Scottish Housing Regulator Registered Number: 362

**RIVER CLYDE HOMES AND SUBSIDIARY**

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS**

**FOR THE YEAR ENDED 31 MARCH 2019**

**Management Committee**

The strategic leadership of the River Clyde Homes (“the Company”) is provided by a Board which is supported by a Chief Executive and three Directors (the Executive Management team). The full list of Board members during the year ended 31 March 2019 is as follows:

<b>Name</b>	<b>Date of Appointment / Resignation</b>
Elizabeth Grant (tenant)	18 October 2011 / 23 April 2019
Cllr Stephen McCabe	11 September 2012 / 16 August 2018
Cllr Christopher McEleny	11 September 2012 / 16 August 2018
Craig McGinn	18 March 2014
Albert Henderson	18 March 2014 / 25 September 2018
Jillian Moffat (Chair)	16 September 2014
Marilyn Beveridge (Vice Chair)	17 May 2016
Jim Strang	17 May 2016 / 22 May 2018
Jenny Speck (tenant)	20 September 2016
Cllr Graeme Brooks	30 May 2017
Sheila Adamson (co-optee)	26 September 2017 / 18 September 2018
Lesley McInnes (co-optee)	26 September 2017 / 30 May 2018
Tom Ferrier	26 September 2017
Cllr Christopher Curley	6 March 2018
Anthony Smith	25 September 2018
Cllr Martin Brenan	04 October 2018 / 22 February 2019
Cllr John Crowther	04 October 2018 / 22 February 2019

The composition of the Board has been amended to reflect requirements of the new Housing Amendment (Scotland) Act 2018.

All tenancies for the above tenant members of the River Clyde Homes’ Board are on Scottish Secure Tenancy Agreements in terms of the Housing (Scotland) Act 2010 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 any share capital. The liability of Board 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 approve the vision, business plan and priorities of the Company. They also monitor the operational activities of the Company. The Board is accountable to the wider membership and as at 31 March 2019, River Clyde Homes had 122 members. The members of the Board are unpaid.

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Executives**

The executive officers of the Company during the year to 31 March 2019 were as follows:

<b>Position</b>	<b>Name</b>
Chief Executive	Kevin Scarlett
Executive Director, Customer Services	Sandra McLeod
Executive Director, Group Services	Richard Turnock
Executive Director, Property Services	Gary Wilson (Resigned 01 February 2019)

The executive officers are responsible for achieving the vision, strategic outcomes, priorities and plans of the Board confirmed in its business plan; they also ensure high standards of professionalism, performance and ambition in their work.

The Board of Home Fix Scotland Limited (formerly known as River Clyde Property Management Limited), a wholly owned subsidiary of River Clyde Homes, consists of three members. The full list of Board members during the period to 31 March 2019 is as follows:

<b>Position</b>	<b>Name</b>	<b>Date of Appointment / Resignation</b>
Director	Albert Henderson	16 August 2016 / Resigned 25 September 2018
Director	Richard Turnock	16 August 2016
Director	Gary Wilson	16 August 2016 / Resigned 1 February 2019
Director	Jillian Moffat	Appointed 17 November 2017
Director	Christopher Morgan	Appointed 17 August 2018
Director	Mark Robson	Appointed 12 June 2019

The River Clyde Homes Board oversees the activities of Home Fix Scotland Limited ("HFS") within the Group Business Plan.

**Advisers**

The advisers of the Company during the year ended 31 March 2019 were as follows:

**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**

Armstrong Watson Audit Limited  
1st Floor  
24 Blythswood Square  
Glasgow  
G2 4BG

Nationwide Building Society  
Kings Park Road  
Moulton Park  
Northampton  
NN3 6NW

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Introduction**

The Board presents its Annual Report together with the audited financial statements for the year ended 31 March 2019. This report incorporates the financial statements of the Company's wholly owned subsidiary, HFS, which commenced trading in October 2016.

**Principal Activities**

The principal activity of the Company is the provision of social housing throughout Inverclyde. Employing over 250 staff (including 56 specialist trades operatives) the business owns and manages circa 6,000 homes and provides factoring services to a further 2,250 homes. The principal activity of HFS is to carry out certain works and services on behalf of the Company. HFS employ a specialist team of 51 staff (including 34 trade operatives) to deliver works.

**Vision and Values**

The Company has established a clear value base, identity and purpose to ensure that the wider community, staff and other stakeholders are aware of what the business stands for.

# Vision & Values

**"Improving lives and places"**

Every Customer Happy

Every Home Loved

Every Opportunity Taken

Every Penny Counts

Every Person Positive





**RIVER CLYDE HOMES AND SUBSIDIARY**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**STRATEGIC REPORT**

**Financial Highlights**

*Statement of Comprehensive Income*

Group Turnover of £27.2 million (2018: £27.1 million) relates mainly to the income from the letting of properties which accounts for £26.2 million (2018: £26.2 million) of this total. The balance of income of £1.0 million (2018: £0.9 million) relates to support activities, Homefact and Scottish Legal Aid Board fund.

Total Operating Expenditure was £27.5 million (2018: £27.3 million), consisting of:

- Management and maintenance admin costs £13.3 million (2018: £11.9 million)
- Planned and cyclical maintenance £2.4 million (2018: £3.9 million) (major repairs expenditure capitalised is detailed in note 3 on page 35)
- Reactive maintenance costs £4.3 million (2018: £4.9 million)
- Other costs £6.5 million (2018: £5.6 million)

The operating deficit for the year ended 31 March 2019 was £0.3 million (2018: £0.2 million) and the deficit on ordinary activities before actuarial adjustments on pension scheme was £4.0 million (2018: £2.6 million).

*Statement of Financial Position*

Total net assets for the group at the year-end amounted to £15.2 million (2018: £22.8 million). The key asset categories include:

- |                        |                                       |
|------------------------|---------------------------------------|
| • Housing property     | £198.2 million (2018: £170.1 million) |
| • Rent debtors (gross) | £1.9 million (2018: £1.9 million)     |
| • Cash deposits        | £0.8 million (2018: £4.2 million)     |

The housing stock was transferred to the Company at nil value. As our major improvement and new build programme has progressed, the net book value of the housing properties held for letting or construction has increased to £198.2 million (2018: £170.1 million).

Offsetting the rental debtor of £1.9 million (2018: £1.9 million) is a bad debt provision of £1.6 million (2018: £1.6 million). This provision relates to current and historical (pre transfer) arrears.

The key liabilities include:

- |                        |                                     |
|------------------------|-------------------------------------|
| • Total deferred grant | £93.1 million (2018: £80.7 million) |
| • Total loans          | £78.0 million (2018: £60.7 million) |

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**STRATEGIC REPORT (continued)**

The deferred grant relates to Scottish Government grants in respect of SHQS works, New Build projects and Aids and Adaptations development. £1.5 million (2018: £1.3 million) of the deferred grant is due within one year; the balance of £91.6 million (2018: £79.4 million) is due after more than one year.

*Statement of Cash Flows*

The net cash inflow from operating activities was £4.0 million (2018: £4.0 million). A further £14.3 million net inflow (2018: £15.8 million) was generated from financing activities. Net cash outflow from investing activities totalled £21.7 million (2018: £23.7 million).

**Financing and treasury management**

Our housing properties are financed principally by a combination of housing association grant, bank borrowings and cash generated from trading surpluses. Bank borrowing facilities comprise a mixture of fixed rate and short term floating rate loans.

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

In June 2018, additional funding was secured, increasing the loan facility to a maximum of £126.7 million. This additional funding supports our new build and development programme. As at 31<sup>st</sup> March 2019 the Company had drawn down £77.2 million of loans. This comprised of £47.0 million of borrowing at a fixed interest rate and £30.2 million at a LIBOR interest rate.

We have in place a regime whereby sufficient cash is held to meet our immediate obligations. During the financial year, this approach minimised the additional borrowing required. The amount of additional borrowing which was drawn down from the agreed facility was utilised to ensure progress on the investment programme.

**RIVER CLYDE HOMES AND SUBSIDIARY**

**REPORT OF THE MANAGEMENT COMMITTEE**

**FOR THE YEAR ENDED 31 MARCH 2019**

**STRATEGIC REPORT (continued)**

**Risk Management**

Management adopts a robust risk management approach which identifies and records the risks facing the Company and the action plan by which risks are managed. As part of our approach to, the risk of 'failure to manage pensions' has been updated to recognise the changes in SHAPS scheme. The Top Five Strategic Risks facing the Company are shown in the table below. The Board has approved action plans to mitigate these risks:

<b><i>Risk Description</i></b>	<b><i>Key Mitigation</i></b>
Inadequate asset management strategy	<ul style="list-style-type: none"> <li>• Revised asset management strategy has been approved by the Board and is subject to regular review and validation.</li> <li>• Maintaining a watching brief on compliance aspects that impact our assets (e.g. post Grenfell requirements).</li> <li>• Ongoing work to deliver/maintain SHQS and EESSH compliance</li> <li>• Leveraging value from ActiveH (housing management system)</li> <li>• Improved Regulator &amp; Inverclyde Council relationship management, enabling timeous delivery of SHIP.</li> <li>• Improved Governance through regular review by EMT</li> <li>• Increased focus on Customer Service, e.g. the development of RCH Plus standard, helping to increase lets/reduce voids.</li> <li>• Moving new builds from feasibility stage to committed projects bring more certainty to the costings and phasing.</li> <li>• Supplement development programme capacity, including the effective use of external consultants.</li> </ul>
Welfare Reform reducing income & increasing bad debts	<ul style="list-style-type: none"> <li>• Participation in Working party groups to monitor welfare developments and impact of changes (particularly in relation to Universal Credit)</li> <li>• Improved debt collection processes (including legal redress)</li> <li>• Increased scrutiny of arrears performance (reporting of performance metrics)</li> <li>• Enhanced debt review and reporting procedures</li> <li>• Improved welfare advice service to pre-empt bad debt issues</li> <li>• Launching employability service to reduce welfare dependency</li> <li>• Maximise channel shift and access to services, including increased personal visits, and online services.</li> <li>• Increased customer insight and profiling.</li> </ul>



**RIVER CLYDE HOMES AND SUBSIDIARY**

**REPORT OF THE MANAGEMENT COMMITTEE**

**FOR THE YEAR ENDED 31 MARCH 2019**

**STRATEGIC REPORT (continued)**

Failure to deliver competitive housing proposition	<ul style="list-style-type: none"> <li>• Development of a RCH Plus proposition standard, incorporating appropriate response to tackle fuel poverty as appropriate</li> <li>• Customer insight will inform our proposition strategy</li> <li>• Ensuring funding available for enhancements to estate</li> <li>• Business Planning activity will include ongoing assessment of customer need which will inform our stock mix</li> <li>• Rent affordability will be assessed as part of a Rent &amp; Service Charge Review (including development of an affordability model)</li> <li>• Regularly monitor product offerings for relevance and adequacy while taking account of demographics and competitor propositions</li> <li>• Void management process to be streamlined, improving efficiency and reducing days to let</li> </ul>
Failure to deliver VFM	<ul style="list-style-type: none"> <li>• VFM Strategy and Plan approved by Board.</li> <li>• VFM Project Board to lead on delivery of strategy.</li> <li>• VFM targets incorporated into Financial Plan and budgets</li> <li>• Delivery of efficiencies monitored by Audit &amp; Finance Committee together with RCH Board</li> <li>• VFM Workshops informing Business and Development Plans</li> </ul>
Ineffective control of subsidiary governance, development and growth	<ul style="list-style-type: none"> <li>• Pace and scale of growth and development governed by RCH Board</li> <li>• Development of a governance plan for HFS, incorporating appropriate consideration of the development of an appropriate business assurance framework</li> <li>• Separate subsidiary Board in place, plan to evolve to standalone subsidiary governance (distinct financial and operational/service committees as appropriate)</li> <li>• Recruitment of subsidiary Board with requisite skill base</li> <li>• Recruitment of suitably skilled management and staff</li> </ul>

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**STRATEGIC REPORT (continued)**

**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.

**Planning for the future**

The assumptions underpinning all business plans (including the five year plan, thirty year business plan and financial plan) are reviewed and validated on an annual basis. All financial plans are subject to appropriate stress testing and sensitivity analysis. The financial projections confirm that there is adequate financial resource available to deliver the objectives of the business plan.

One core assumption includes the spending requirement associated with the Asset Management Strategy.

The additional funding package recently approved with our lenders enables the delivery of the following:-

- Delivery of the new build development programme which will provide 550 new homes over the next 3 years.
- An investment programme that meets the requirements of the Energy Efficiency Standard for Social Housing (EESH) by 2022
- A full component replacement programme from 2028 onwards to maintain Scottish Housing Quality Standards (SHQS).

**Home Fix Scotland**

Following a successful launch, and a company name change, HFS has secured additional works and services contracts from the Company. In its next phase of development, HFS will help the Company deliver on its VFM agenda (e.g. reducing cost through taking certain activities in-house) and actively seek external trading opportunities to further grow the subsidiary.

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**OPERATING REVIEW**

**CUSTOMER SERVICES**

*Key achievements in 2018-19*

- Completion of the Broomhill Regeneration Project
- New 24/7 CCTV service launched
- New Community Caretaking Service launched
- Review of sheltered housing services
- Customers supported to move into our new housing developments at Bay Street and Mallard Crescent
- Completion of all actions to ensure compliance with the Housing (Scotland) Act 2014.
- Review of the allocations policy

**Performance highlights**

*Key Performance Indicators*

KPIs are formally reviewed quarterly by the Performance and Services Committee and included in the Annual Return on the Charter (ARC) to the Scottish Housing Regulator (SHR) and Customers.

<b>Selected ARC Performance Measures</b>	<b>2018/19</b>	<b>2017/18</b>
Gross average time taken to re-let properties (days)	67.5	81
Rent lost due to properties becoming vacant	1.5%	2.1%
Rent collected as a proportion of rent due	98.7%	98.6%
Gross rent arrears as a % of rent due	7.5%	9.4%
ASB cases resolved within 12 week target	88.9%	88.8%
Stage 1 complaints responded to on time	88.1%	80.3%
Stage 2 complaints responded to on time	85.0%	72.7%

*Voids*

The continuing prioritisation on improving voids performance saw a decrease in the reported ARC void loss, a decrease in the number of void properties and the time taken to re-let properties. New letting initiatives and expanded marketing campaigns returned positive results

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**OPERATING REVIEW (continued)**

*Rent Arrears and Welfare Reform*

Rent arrears performance has improved significantly as a result of revised policy and procedures which focus on early intervention and a further emphasis on out-of-hours contact. Welfare Reform continues to impact upon rent arrears and we have expanded our focus on support with a clear commitment to take legal action for willful non-payment.

**PROPERTY SERVICES**

*Key achievements in 2018-19*

- Refreshed 5 year investment plan agreed
- Completion of 93 new homes
- Plans for development of 550 new homes within the next three years, with 510 currently on site
- Comprehensive asset and stock condition surveys completed, informing the prioritisation of future investment decisions
- Secured Allied Social Impact Investment Ltd (Allia) funding for the Slaemuir project phase 2 and 3 from Scottish Government, circa £4.89m (Up front funding)
- Installed high efficiency district heating systems at Eastern View, Kilblain Court, Royal Court, John Gault House, Riverside Gardens.
- Completed follow on works from Fire Safety Risk Assessments to 13 high rise blocks. (including fire alarms, fire stopping, fire door upgrades.)
- Completed fire alarm installations at 8 Sheltered Housing complexes.
- Installed gas back up at Riverside Gardens
- Installed new high efficiency commercial gas boiler to Glebe Court
- Continued to ensure 100% gas servicing compliance

**Performance highlights**

*Key Performance Indicators*

The key performance indicators below highlight the strong performance of the Maintenance team, delivering a significant increase across all key performance metrics.

<b>Selected Performance Measures</b>	<b>2018/19</b>	<b>2017/18</b>
Average hours to complete emergency repairs	2.8	3.4
Average working days to complete non-emergency repairs	3.3	2.7
Percentage reactive repairs completed right first time	97.8%	97.8%
Percentage reactive repair appointments kept	96.0%	91.7%

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**OPERATING REVIEW (continued)**

The maintenance team is focused on improving front line services to our customers, whilst at the same time continuing to improve its performance and efficiency. The key initiatives contributing to this include:

- Maximising the benefits from the multi-skilling delivery plan after the successful completion of an extensive training programme.
- Assisting Customer Experience and RCH Contact Centre through the implementation of online repair diagnostics and appointing.
- Assisting with the implementation of Asset Management, focusing on ensuring real time updates, leading to more accurate reporting and forecasting for SHQS and EESSH compliance going forward.
- Simplifying and streamlining repair and maintenance operation through enhancements across the application used.
- Supporting Factoring Customer Experience and RCH Operation by leveraging the above activity, combined with improvements in the end to end business process.

**Home Fix Scotland (HFS)**

The continued development of HFS, which undertakes certain works and services on behalf of RCH, was another success this year. The focus of HFS has moved from the successful delivery of key works in relation to the Broomhill Regeneration programme and RCH's environmental programme, onto the award of the planned and cyclical programmes across RCH's entire property and land portfolio. Previously, such work would have been undertaken by external contractors, by internalising such work activity, there is a significant value for money opportunity delivering the work for a more competitive price. In 2019/20 new works streams will be added in relation to repairs and maintenance and cleaning services. HFS's business activity is likely to remain primarily sourced from RCH in the short term with external trading becoming a realistic option in the near future.

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**REPORT OF THE MANAGEMENT COMMITTEE**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Going Concern**

The Management Committee has reviewed the results for this year and has also reviewed the financial projections for the next five years. It, therefore, has a reasonable expectation that the Company 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 at the date of approval of these financial statements 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**

Armstrong Watson Audit Limited have indicated a willingness to continue in office.

Signed on behalf of the Board:



Jillian Moffat

on: 20/08/19



## **RIVER CLYDE HOMES AND SUBSIDIARY**

### **STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES**

#### **FOR THE YEAR ENDED 31 MARCH 2019**

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 27 to 33, and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 Association's Determination of Accounting Requirements 2014 and the Housing (Scotland) Act 2010 and the Housing Statement of Recommended Practice Accounting by registered social housing providers 2014 (SORP). 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 AND SUBSIDIARY

### MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROLS FOR THE YEAR ENDED 31 MARCH 2019

The Board acknowledges its 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 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 the 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; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board has continued to review the system of internal financial control in the Company during the period ended 31 March 2019. 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: 20/08/19

Jillian Moffat

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**EXTERNAL AUDITORS REPORT ON CORPORATE GOVERNANCE MATTERS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Corporate Governance**

In addition to the audit of the financial statements, we have reviewed the Board of Management's statement on page 15 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters with Bulletin 2006/5 issues by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 16 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Committee of Management's Statement on Internal Financial Controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

*Armstrong Watson Audit Limited*

Armstrong Watson Audit Limited  
1<sup>st</sup> Floor  
24 Blythswood Square  
Glasgow  
G2 4BG

Date: *22 August 2019*

# **RIVER CLYDE HOMES AND SUBSIDIARY**

## **INDEPENDENT AUDITORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2019**

#### **Opinion**

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit 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 of Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

#### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Report of the Management Committee, but does not include the financial statements and our Report of the Auditors thereon.

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

# RIVER CLYDE HOMES AND SUBSIDIARY

## INDEPENDENT AUDITORS' REPORT

### FOR THE YEAR ENDED 31 MARCH 2019

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Overview of Business and Activities.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

#### **Our responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

#### **Use of our Report**

This report is made solely to the Association's members, as a body, in accordance with the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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.



Karen A Rae FCCA  
For and on behalf of Armstrong Watson Audit Limited  
Chartered Accountants & Statutory Auditors  
Floor 1  
24 Blythswood Square | Glasgow | G2 4BG  
Date: 22 August 2019

**RIVER CLYDE HOMES AND SUBSIDIARY**

**GROUP STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2019**

	<b>Notes</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Turnover</b>	2	27,162	27,131
Operating expenditure	2	(27,475)	(27,300)
<b>Operating deficit</b>		(313)	(169)
Gain on sale of fixed assets	4a	34	180
Interest receivable		6	16
Interest and Financing Costs	19	(3,547)	(2,320)
Other Financing Expense	11	(175)	(328)
<b>Deficit on ordinary activities before taxation</b>		(3,995)	(2,621)
Taxation on surplus on ordinary activities	21	-	-
<b>Deficit for the year</b>	13	<b>(3,995)</b>	(2,621)
Initial recognition of multi-employer defined benefit scheme	11	(1,138)	-
Actuarial (loss)/gain on pension scheme	11	(2,551)	8,190
<b>Total comprehensive (loss)/income for the year</b>		<b>(7,684)</b>	5,569



**RIVER CLYDE HOMES AND SUBSIDIARY**

**COMPANY STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2019**

	<b>Notes</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Turnover</b>	2	27,162	27,641
Operating expenditure	2	(27,554)	(27,899)
<b>Operating deficit</b>		(392)	(258)
Gain on sale of fixed assets	4a	34	180
Interest receivable		31	41
Interest and Financing Costs	19	(3,547)	(2,320)
Other Financing Income/(Expense)	11	(175)	(328)
<b>Deficit on ordinary activities before taxation</b>		(4,049)	(2,685)
Taxation on surplus on ordinary activities	21	-	-
<b>Deficit for the year</b>	13	<b>(4,049)</b>	(2,685)
Initial recognition of multi-employer defined benefit scheme	11	(1,138)	-
Actuarial (loss)/gain on pension scheme	11	(2,551)	8,190
<b>Total comprehensive (loss)/income for the year</b>		<b>(7,738)</b>	5,505

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**GROUP STATEMENT OF FINANCIAL POSITION**

**AS AT 31 MARCH 2019**

	Notes	2019 £'000	2018 £'000
<b>Fixed Assets</b>			
Tangible Assets	4a/b	198,343	170,335
Intangible Assets	4c	951	257
<b>Current Assets</b>			
Stock	5	207	159
Trade and other Debtors	6a	3,323	2,939
Trade and other debtors due after more than one year	6b	442	757
Cash and cash equivalents		758	4,191
		<u>4,730</u>	<u>8,046</u>
<b>Creditors: amounts falling due within one year</b>	7	(9,828)	(10,545)
<b>Net current assets</b>		<u>(5,098)</u>	<u>(2,499)</u>
<b>Total assets less current liabilities</b>		<u>194,196</u>	<u>168,093</u>
<b>Creditors: amounts falling due after more than one year</b>	8	(169,456)	(140,149)
Pension Provision	11	(9,580)	(5,100)
<b>Total Net Assets</b>		<b>15,160</b>	<b>22,844</b>
<b>Reserves</b>			
Restricted Reserve	13	29	5
Income & Expenditure Reserve	13	15,131	22,839
		<b>15,160</b>	<b>22,844</b>

These financial statements were approved and authorised for issue by the Board on 20 August 2019 and signed on their behalf by:

Chair of Board:



Jillian Moffat

Director:



Richard Turnock

Board member:



Marilyn Beveridge

## RIVER CLYDE HOMES AND SUBSIDIARY

## COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
<b>Fixed Assets</b>			
Tangible Assets	4a/b	198,208	170,265
Intangible Assets	4c	951	257
<b>Current Assets</b>			
Stock	5	116	124
Trade and other Debtors	6a	4,366	4,108
Trade and other debtors due after more than one year	6b	442	757
Cash and cash equivalents		281	3,914
		<u>5,205</u>	<u>8,903</u>
<b>Creditors: amounts falling due within one year</b>	7	(10,286)	(11,441)
<b>Net current assets</b>		<u>(5,081)</u>	<u>(2,538)</u>
<b>Total assets less current liabilities</b>		<u>194,078</u>	<u>167,984</u>
<b>Creditors: amounts falling due after more than one year</b>	8	(169,456)	(140,104)
Pension Provision	11	(9,580)	(5,100)
<b>Total Net Assets</b>		<b>15,042</b>	<b>22,780</b>
<b>Reserves</b>			
Restricted Reserve	13	29	5
Income & Expenditure Reserve	13	15,013	22,775
		<b>15,042</b>	<b>22,780</b>

These financial statements were approved and authorised for issue by the Board on 20 August 2019 and signed on their behalf by:

Chair of Board:



Jillian Moffat

Director:



Richard Turnock

Board member:



Marilyn Beveridge

**RIVER CLYDE HOMES AND SUBSIDIARY**

**GROUP STATEMENT OF CHANGES IN RESERVES**

**AS AT 31 MARCH 2019**

	<b>Restricted Reserve £'000</b>	<b>Income &amp; Expenditure Account £'000</b>	<b>Total £'000</b>
At 1 April 2018	5	22,839	22,844
Actuarial loss on pension scheme	-	(2,551)	(2,551)
Deficit for the Year	-	(3,995)	(3,995)
Movement in Year	24	(1,162)	(1,138)
<b>At 31 March 2019</b>	<b>29</b>	<b>15,131</b>	<b>15,160</b>

Further details are given in note 13.

**COMPANY STATEMENT OF CHANGES IN RESERVES**

**AS AT 31 MARCH 2019**

	<b>Restricted Reserve £'000</b>	<b>Income &amp; Expenditure Account £'000</b>	<b>Total £'000</b>
At 1 April 2018	5	22,775	22,780
Actuarial loss on pension scheme	-	(2,551)	(2,551)
Deficit for the Year	-	(4,049)	(4,049)
Movement in Year	24	(1,162)	(1,138)
<b>At 31 March 2019</b>	<b>29</b>	<b>15,013</b>	<b>15,042</b>

Further details are given in note 13.

# RIVER CLYDE HOMES AND SUBSIDIARY

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	2019		2018	
	£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities (note 14)</b>		4,223		4,029
<b>Cashflow from financing activities</b>				
Interest paid		(3,547)		(2,320)
Loan advances received		17,743		18,480
Other finance expense		(175)		(328)
<b>Net cash outflow from financing activities</b>		14,021		15,832
<b>Cashflow from investing activities</b>				
Purchase of Tangible Fixed Assets		(35,330)		(29,365)
Grants Received		13,613		5,420
Interest Received		6		16
Proceeds from sale of Tangible Fixed Assets		34		180
<b>Net cash outflow from investing activities</b>		(21,677)		(23,749)
<b>Net Change in Cash and Cash Equivalents</b>		<b>(3,433)</b>		<b>(3,888)</b>
Cash and cash equivalents at the beginning of the year		4,191		8,079
Cash and cash equivalents at the end of the year		758		4,191
<b>Net Change in Cash and Cash Equivalents</b>		<b>(3,433)</b>		<b>(3,888)</b>

Further details are given in note 14.

**RIVER CLYDE HOMES AND SUBSIDIARY**

**COMPANY STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 MARCH 2019**

	<b>2019</b>		<b>2018</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net cash inflow from operating activities (note 14)</b>		3,907		4,213
<b>Cashflow from financing activities</b>				
Interest paid		(3,547)		(2,320)
Loan advances received		17,743		18,480
Other finance expense		(175)		(328)
<b>Net cash outflow from financing activities</b>		14,021		15,832
<b>Cashflow from investing activities</b>				
Purchase of Tangible Fixed Assets		(35,239)		(29,283)
Grants Received		13,613		5,420
Interest Received		31		41
Proceeds from sale of Tangible Fixed Assets		34		180
<b>Net cash outflow from investing activities</b>		(21,561)		(23,642)
<b>Net Change in Cash and Cash Equivalents</b>		<b>(3,633)</b>		<b>(3,597)</b>
Cash and cash equivalents at the beginning of the year		3,914		7,511
Cash and cash equivalents at the end of the year		281		3,914
<b>Net Change in Cash and Cash Equivalents</b>		<b>(3,633)</b>		<b>(3,597)</b>

Further details are given in note 14.



**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**1. Accounting Policies**

The Company is incorporated under the Companies Act 2006 and is registered as a private Company Limited by guarantee with Companies House Scotland River Clyde Homes is registered with the Scottish Housing Regulator as a Registered Social Landlord under the Housing (Scotland) Act 2010. River Clyde Homes adopted Charitable Rules on 7<sup>th</sup> December 2007 and its Charity Number is SC329031.

The Society's address is listed on page 2. Its principal activities and the nature of its operations are detailed on page 5.

**a) Basis of Preparation**

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the Determination of Accounting Requirements 2015, and under the historical cost convention, modified to include certain financial instruments at fair value.

The accounting treatment relating to the Scottish Housing Association defined benefit pension has not been consistently applied. For further details of the change in treatment refer to accounting policy (L) – pensions.

The financial statements are prepared in Sterling (£) and are rounded to nearest £'000.

**b) Critical Accounting Estimates and Areas of Judgement**

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

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

**i. Useful lives of properties**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on industry averages and our review of our stock. Uncertainties in these estimates relate to the length of time certain components in our homes will last, with varying levels of use potentially lengthening or shortening the lives of these components.

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

ii. Recoverable amount of rent arrears and debtors

Management considers the reasonable likelihood of rent arrears and debtors being recoverable based on past experience. While every effort is made not to over-estimate the amounts which will be recovered by the Association in the future, the actual amounts which might be received are often out with the Association's control.

iii. Present value of pension scheme

The present value of the SHAPS Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Any changes in these assumptions, which are disclosed in note 11, will impact the carrying amount of the pension liability. GMP equalisation has also been considered within the current year valuation however this has not made a significant impact to the net pension deficit. The latest full actuarial valuation was dated 31 March 2019

**c) Consolidation**

In accordance with FRS 102, the financial statements show the consolidation position of River Clyde Homes and its subsidiary HFS.

**d) Turnover**

Turnover comprises rental and service charge income receivable in the period, other services provided at the invoice value and revenue grants receivable in the period.

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

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

**e) Tangible Fixed Assets**

Housing properties are stated at cost, all property was acquired at nil value under the stock transfer agreement. The cost of such properties includes the following:

- (i) Cost of acquiring land and buildings
- (ii) Development expenditure including attributable overheads
- (iii) Interest charged on the loans raised to finance the scheme to date of completion.

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property, that has been treated separately for depreciation purposes and depreciated over its useful economic life, is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard performance. Such enhancement can occur if improvements result in an increase in rental income, a material 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 charged to the Income and Expenditure account.

The major components of properties are deemed to be structure, roofs, windows and doors, bathrooms, mechanical systems, lifts, electrics, kitchens and central heating systems. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in note (i).

**f) Intangible Fixed Assets**

Intangible assets purchased are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Purchased computer software	3 years
Website development costs	3 years
Re-Financing Fees	5 years

Amortisation is revised prospectively if there is a significant change in the useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

**g) Government Grants**

Where developments have been financed wholly or partly by Housing Company Grant or other capital grant, the Grants will be presented as deferred income within liabilities on the Balance Sheet. The grant recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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

**h) Other Grants**

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.

**i) Depreciation**

**Housing Land and Buildings:**

Housing Properties are stated at cost less accumulated depreciation. 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

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:

Furniture and Fittings	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.

**j) Impairment**

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

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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

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

**k) Value added tax**

The Company 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.

**l) Pension**

The Company participates in two pension schemes as follows:

- i) 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 Company. There has been no change in accounting treatment in the year.
- ii) Scottish Housing Association Pension Scheme which is a multi employer defined benefit scheme managed by the Pension Trust. Retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives within the Company.

Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations taken as a whole.

The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. The latest full actuarial valuation was dated 31 March 2019

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

The previous treatment of the Associations scheme complied with FRS 102 sections 28.11 and 28.11A which due to a lack of sufficient information being available allowed the Association to account for the multi-employer defined benefit scheme as though it were a defined contribution scheme. The Association therefore previously recognised a liability in respect of its annual committed deficit reduction contributions.

Due to sufficient information becoming available the association will be early adopting Amendments to FRS 102 Multi-employer defined benefit plans (9 May 2019). The relevant date for this new information to be applied was 1 April 2018. During this transitional period, the Association has disclosed within Other Comprehensive Income, the de-recognition of the deficit funding agreement liability and the recognition of the net pension deficit to reflect the impact of this change in accounting treatment.

- m) 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.
- n) 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.
- o) 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.
- p) Energy Trust Loan**  
The Company has treated the loan value in accordance with section 34 of FRS 102. The loan has a nil rate of interest and therefore under section 34.89 and 90 the Company has taken the decision of accounting for this at cost.
- q) Stock**  
Stock is stated at the lower of cost and net realisable value. Net realisable value is calculated as estimated sales proceeds less costs to sell.
- r) Borrowing Costs**  
General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale. All other borrowing costs are expensed as incurred.



**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**s) Deposits and Liquid Resources**

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

**t) Employee Benefits**

The costs of short-term employee benefits are recognised as a liability and an expense. Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits. FRS102 requires the Company to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered during the reporting period.

**u) Taxation**

As a registered charity, River Clyde Homes 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.

Home Fix Scotland is subject to Corporation Tax on its applicable activities. Any payments due for corporation tax will be recognised.

**v) Going concern**

The Management Committee considers on an annual basis the appropriateness of preparing the Company's Financial Statements on a going concern basis. Matters which are taken into account in this process include:

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Company's viability.
- The financial position of the Company and the impact, if any, of perceived weaknesses on the Company's viability.
- The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Company's 30 year Business Plan including sensitivity analyses and independent verification of key underlying assumptions.

In the absence of any fundamental shortcomings raised as a result of the above exercise the Management Committee consider the going concern assumption underlying the preparation of the Company's Financial Statements to be appropriate.

**RIVER CLYDE HOMES AND SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2019**

**2. GROUP PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

		<b>Turnover £'000</b>	<b>Operating Costs £'000</b>	<b>Operating Deficit £'000</b>	<b>Operating Deficit for previous period of account £'000</b>
Social lettings	(Note 3a)	26,206	26,498	(292)	(109)
Other activities	(Note 3b)	956	977	(21)	(60)
<b>Total</b>		<b>27,162</b>	<b>27,475</b>	<b>(313)</b>	<b>(169)</b>
<b>2018</b>		<b>27,131</b>	<b>27,300</b>	<b>(169)</b>	

**2. COMPANY PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS**

		<b>Turnover £'000</b>	<b>Operating Costs £'000</b>	<b>Operating Deficit £'000</b>	<b>Operating Surplus / (Deficit) for previous period of account £'000</b>
Social lettings	(Note 3a)	26,206	26,577	(371)	(708)
Other activities	(Note 3b)	956	977	(21)	450
<b>Total</b>		<b>27,162</b>	<b>27,554</b>	<b>(392)</b>	<b>(258)</b>
<b>2018</b>		<b>27,641</b>	<b>27,899</b>	<b>(258)</b>	

# RIVER CLYDE HOMES AND SUBSIDIARY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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

	2019 £'000	2018 £'000
Rent receivable net of Service Charges	24,740	23,737
Service Charges	678	640
Gross income from rents and service charge	25,418	24,377
Less voids	(860)	(1,204)
<b>Net income from rents and service charges</b>	<b>24,558</b>	<b>23,173</b>
Grants from the Scottish Ministers	1,312	2,440
Other Income	336	631
<b>Total turnover from social letting activities</b>	<b>26,206</b>	<b>26,244</b>
Management and maintenance administration costs	13,310	11,863
Planned and cyclical maintenance inc major repair costs	2,428	3,907
Reactive maintenance costs	4,270	4,895
Bad Debts - rents and service charge	361	434
Depreciation of social housing	6,129	5,254
<b>Operating costs for social letting activities</b>	<b>26,498</b>	<b>26,353</b>
<b>Operating Deficit for Letting Activities</b>	<b>(292)</b>	<b>(109)</b>
2018	(109)	

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

The total amount of major repairs expenditure incurred in the year was £16,613,532 (2018-£25,486,628). Major repairs of £14,818,279 (2018-£19,850,933) were capitalised in the year.

# RIVER CLYDE HOMES AND SUBSIDIARY

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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

	2019 £'000	2018 £'000
Rent receivable net of Service Charges	24,740	23,737
Service Charges	678	640
Gross income from rents and service charge	25,418	24,377
Less voids	(860)	(1,204)
<b>Net income from rents and service charges</b>	<b>24,558</b>	<b>23,173</b>
Grants from the Scottish Ministers	1,312	2,440
Other Income	336	631
<b>Total turnover from social letting activities</b>	<b>26,206</b>	<b>26,244</b>
Management and maintenance administration costs	13,310	12,462
Planned and cyclical maintenance inc major repair costs	2,501	3,907
Reactive maintenance costs	4,276	4,895
Bad Debts - rents and service charge	361	434
Depreciation of social housing	6,129	5,254
<b>Operating costs for social letting activities</b>	<b>26,577</b>	<b>26,952</b>
<b>Operating Deficit for Letting Activities</b>	<b>(371)</b>	<b>(708)</b>
2018	(708)	

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

The total amount of major repairs expenditure incurred in the year was £16,613,532 (2018-£25,486,628). Major repairs of £14,818,279 (2018-£19,850,933) were capitalised in the year.

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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

	Grants from Scottish Ministers £'000	Restricted revenue grants £'000	Supporting people income £'000	Other income £'000	Total Turnover £'000	Other operating costs £'000	Year to 2019 Operating Surplus/(Deficit) £'000	Year to 2018 Operating Deficit £'000
Support activities	-	-	173	350	523	568	(45)	(46)
Homefact	-	-	-	279	279	279	-	-
Support & Connect	-	81	-	25	106	98	8	(4)
Universal Credit	-	16	-	-	16	-	16	(10)
Extracare Plus	-	32	-	-	32	32	-	-
Other activities	-	-	-	-	-	-	-	-
<b>Total from other activities</b>	<b>-</b>	<b>129</b>	<b>173</b>	<b>654</b>	<b>956</b>	<b>977</b>	<b>(21)</b>	<b>(60)</b>
2018	-	117	173	597	887	947	(60)	

**Grants awarded by the Big Lottery Fund and Scottish Legal Aid Board have only been spent for the purposes intended**  
**During the year there was no other surplus or deficit from other activities other than that noted above.**

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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

	Grants from Scottish Ministers £'000	Restricted revenue grants £'000	Supporting people income £'000	Other income £'000	Total Turnover £'000	Other operating costs £'000	Year to 2019 Operating Surplus/(Deficit) £'000	Year to 2018 Operating Surplus/(Deficit) £'000
Support activities	-	-	173	350	523	568	(45)	(46)
Homefact	-	-	-	279	279	279	-	-
Support & Connect	-	81	-	25	106	98	8	(4)
Universal Credit	-	16	-	-	16	-	16	(10)
Extracare Plus	-	32	-	-	32	32	-	-
Other activities	-	-	-	-	-	-	-	510
<b>Total from other activities</b>	<b>-</b>	<b>129</b>	<b>173</b>	<b>654</b>	<b>956</b>	<b>977</b>	<b>(21)</b>	<b>450</b>
2018	-	117	173	1,107	1,397	947	450	

**Grants awarded have only been spent for the purposes intended**

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

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**4a. Tangible Fixed Assets - Group and Company - Housing Properties**

All properties were transferred to the Company at nil value as part of the Large Scale Voluntary Stock Transfer from Inverclyde Council. During the year, 3 properties were sold under Right to Buy resulting in a gain on sale of £34,037. The cost of these properties totalled £nil. Security has been granted to lenders in respect of housing properties and net cumulative interest capitalised on housing properties at 31 March 2019 amounted to £nil (2018: £nil).

	<b>Housing Properties Held for Letting £'000</b>	<b>Housing Properties Held for Construction £'000</b>	<b>Totals £'000</b>
<b>Cost</b>			
At 1 April 2018	181,048	16,565	197,613
Additions during the period	15,165	19,083	34,248
Transferred during the period	14,354	(14,354)	-
Disposals during the period	(94)	-	(94)
At 31 March 2019	210,473	21,294	231,767
<b>Depreciation</b>			
At 1 April 2018	27,493	-	27,493
Provided during the period	6,129	-	6,129
Disposals during the period	(46)	-	(46)
At 31 March 2019	33,576	-	33,576

**Net Book Value**

As at 31 March 2019	<b>176,897</b>	<b>21,294</b>	<b>198,191</b>
As at 31 March 2018	153,555	16,565	170,120

Social Housing Grant is repayable under certain circumstances. The amount relating to asset disposal during the year is £48,827 (2018: £278,441).

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**4b. Tangible Assets - Group - other**

	<b>Furniture and Fittings £'000</b>	<b>Plant and Machinery £'000</b>	<b>Computer Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2018	57	81	2,643	2,781
Additions during the period	-	91	5	96
Disposals during the period	-	-	-	-
At 31 March 2019	57	172	2,648	2,877
<b>Depreciation</b>				
At 1 April 2018	53	11	2,502	2,566
Provided during the period	4	26	129	159
Disposals during the period	-	-	-	-
At 31 March 2019	57	37	2,631	2,725
<b>Net Book Value</b>				
As at 31 March 2019	-	135	17	152
As at 31 March 2018	4	70	141	215



**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**4b. Tangible Assets - Company - other**

	<b>Furniture and Fittings £'000</b>	<b>Computer Equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2018	57	2,643	2,700
Additions during the period	-	5	5
Disposals during the period	-	-	-
At 31 March 2019	57	2,648	2,705
<b>Depreciation</b>			
At 1 April 2018	53	2,502	2,555
Provided during the period	4	129	133
Disposals during the period	-	-	-
At 31 March 2019	57	2,631	2,688
<b>Net Book Value</b>			
As at 31 March 2019	-	17	17
As at 31 March 2018	4	141	145

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

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**4c. Intangible Assets - Group and Company**

	<b>Computer Software £'000</b>	<b>Website Development £'000</b>	<b>Arrangement Fee £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 April 2018	364	47	-	411
Additions during the period	252	-	828	1,080
Disposals during the period	-	-	-	-
At 31 March 2019	616	47	828	1,491
<b>Depreciation</b>				
At 1 April 2018	128	26	-	154
Provided during the period	205	15	166	386
Disposals during the period	-	-	-	-
At 31 March 2019	333	41	166	540
<b>Net Book Value</b>				
As at 31 March 2019	<b>283</b>	<b>6</b>	<b>662</b>	<b>951</b>
As at 31 March 2018	236	21	-	257

	<b>Group</b>		<b>Company</b>	
<b>5. Stock</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
General stock	207	159	116	124
	207	159	116	124

The cost of stock recognised as an expense during the year amounted to £0.5 million (2018: £1.7 million).

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

<b>6a. Debtors due within one year</b>	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Rent arrears	1,901	1,881	1,901	1,881
Less: bad debt provision	(1,609)	(1,635)	(1,609)	(1,635)
	292	246	292	246
VAT	24	90	24	90
Prepayments	341	272	341	272
Intercompany Loan	-	-	497	497
Intercompany Debtors	-	-	546	672
Sundry debtors	793	1,296	793	1,296
Less: bad debt provision	(210)	(178)	(210)	(178)
	948	1,480	1,991	2,649
Grant receivable	2,083	1,213	2,083	1,213
	<b>3,323</b>	<b>2,939</b>	<b>4,366</b>	<b>4,108</b>

In October 2016, RCH entered into an intercompany loan agreement of £0.5 million with its subsidiary Home Fix Scotland. The interest associated with this loan agreement is 5% per annum. The loan is repayable on demand.

<b>6b. Debtors due after more than one year</b>	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Sundry debtors	442	757	442	757
	<b>442</b>	<b>757</b>	<b>442</b>	<b>757</b>

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**7. Creditors due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade creditors	2,449	157	2,449	215
Other taxation and social security	292	276	258	237
Rents in advance	150	68	150	68
Deferred Capital Grant (Note 9)	1,513	1,256	1,513	1,256
Loan	100	100	100	100
Intercompany creditors	-	-	598	1,008
Accruals and other creditors	5,324	8,688	5,218	8,557
	<b>9,828</b>	<b>10,545</b>	<b>10,286</b>	<b>11,441</b>

Energy Trust Loans are repayable over 8 years (£0.1 million within one year) and have no interest charge. Facility Loans are repayable at interest rates of 4.94% for fixed plus margin and LIBOR for variable plus margin. Loans are secured on housing stock.

**8. Creditors due after one year**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Deferred Capital Grant (Note 9)	91,552	79,471	91,552	79,471
Lease creditor	-	45	-	-
Loan	77,904	60,633	77,904	60,633
	<b>169,456</b>	<b>140,149</b>	<b>169,456</b>	<b>140,104</b>

**Loans**

Loans are repayable in instalment due as follows:-

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
In one year or less	100	100	100	100
Between one and two years	100	100	100	100
Between two and five years	300	300	300	300
In five years or more	77,504	60,633	77,504	60,633
	<b>78,004</b>	<b>60,733</b>	<b>78,004</b>	<b>60,733</b>

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**9. Deferred Capital Grant**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Opening Balance	80,727	76,666	80,727	76,666
Grant Received in the Year	13,613	5,420	13,613	5,420
Capital Grant Released	(1,274)	(1,359)	(1,274)	(1,359)
	<b>93,066</b>	<b>80,727</b>	<b>93,066</b>	<b>80,727</b>
Amounts to be Released within One Year	1,513	1,256	1,513	1,256
Amounts to be Released after One Year	91,553	79,471	91,553	79,471
	<b>93,066</b>	<b>80,727</b>	<b>93,066</b>	<b>80,727</b>

**10. Employees - Group**

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
The average full time equivalent number (including key management personnel) of persons employed by the Company during the period were as follows:	300.1	323.8
Group Services	37.6	37.1
Executive Management Team	9.7	11.9
Customer Services	118.5	113.6
Property and Development	29.7	36.2
Operations	104.6	125.0
The average number of persons employed by the Company during the period	305	330
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	9,652	9,498
Social security costs	915	898
Other pension costs	1,944	1,526
Staff costs during period	<b>12,511</b>	<b>11,922</b>

Key Management Personnel 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.

The total number of staff members whose emoluments exceeded £60,000 per year was 10 (2018: 8).

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**10. Employees – Group (continued)**

The number of the Key Management Personnel whose emoluments, excluding pension contributions, were over £60,000 per annum were as follows

	<b>No.</b>	<b>No.</b>
£60,001 to £70,000	-	-
£70,001 to £80,000	-	-
£80,001 to £90,000	-	-
£90,001+	4	4
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments for the above Key Management Personnel (excluding pension contributions)	486	441
The emoluments of the Chief Executive (excluding pension contributions)	132	124
Aggregate pension contributions in relation to the above key management personnel	43	38

There were redundancy costs of £139k in the year (2018: £Nil). No member of the Board received any emoluments in respect of their services to the Company.

**11. 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.

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**11. Pension Obligations – The Strathclyde Pension Fund (continued)**

The assumptions and other data that have the most significant effect on the determination of the contribution levels of this scheme are as follows:

	<b>31/03/2019 % per annum</b>	<b>31/03/2018 % per annum</b>
Retail Price Inflation	3.4	3.3
Increase in salaries	3.7	3.6
Increase in pension and deferred pensions	2.5	2.4
Discount rate	2.4	2.7

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

	<b>31/03/2019 Assets £'000</b>	<b>31/03/2018 Assets £'000</b>
Equities	27,417	28,372
Bonds	10,281	7,296
Property	4,284	4,459
Cash	857	405
<b>Total</b>	<b>42,839</b>	<b>40,532</b>

The mortality assumptions for those aged 65 adopted at 31 March 2019 imply the following life expectancies:

	<b>Males</b>	<b>Females</b>
Current Pensioners	21.4 years	23.7 years
Future Pensioners	23.4 years	25.8 years

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**11. Pension Obligations – The Strathclyde Pension Fund (continued)**

**Net Pension Liability**

	<b>31/03/2019</b> <b>£'000</b>	<b>31/03/2018</b> <b>£'000</b>	<b>31/03/2017</b> <b>£'000</b>	<b>31/03/2016</b> <b>£'000</b>	<b>31/03/2015</b> <b>£'000</b>
Estimated Employer Assets	42,839	40,532	40,532	32,008	30,787
Present Value of funded liabilities	(48,839)	(43,562)	(50,588)	(37,423)	(40,133)
Present Value of unfunded liabilities	(1,929)	(1,850)	(1,853)	(1,317)	(1,301)
<b>Net Pension Liability</b>	<b>(7,929)</b>	<b>(4,880)</b>	<b>(12,460)</b>	<b>(6,732)</b>	<b>(10,647)</b>

**Analysis of the amount credited to other finance income**

	<b>31/03/2019</b>		<b>31/03/2018</b>	
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>
Expected return on Assets	43.8	1,092	45.0	1,038
Interest on pension scheme liability	(52.2)	(1,227)	(50.6)	(1,366)
<b>Net loss (B)</b>	<b>(8.4)</b>	<b>(135)</b>	<b>(5.6)</b>	<b>(328)</b>
<b>Net Revenue Account Costs (A) - (B)</b>	<b>54.4</b>	<b>1,082</b>	<b>46.0</b>	<b>1,339</b>

**Analysis of the amount charged to operating profit**

	<b>31/03/2019</b>		<b>31/03/2018</b>		<b>31/03/2017</b>		<b>31/03/2016</b>		<b>31/03/2015</b>	
	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>
Service costs	46.0	947	40.4	1,011	29.6	762	34.4	1,040	30.0	894
Past service costs	0.0	0	0.0	0	16.9	434	8.5	257	0.1	2
<b>Total Operating Charge (A)</b>	<b>46.0</b>	<b>947</b>	<b>40.4</b>	<b>1,011</b>	<b>46.5</b>	<b>1,196</b>	<b>42.9</b>	<b>1,297</b>	<b>30.1</b>	<b>896</b>



**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**11. Pension Obligations – The Strathclyde Pension Fund (continued)**

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

	<b>2019 £'000</b>	<b>2018 £'000</b>
Opening Balance Losses	(5,615)	(13,805)
Actuarial (loss)/gain	(2,653)	8,190
Increase/(Decrease) in Irrecoverable Surplus from Membership	-	-
<b>Actuarial (loss)/gain on assets and liabilities recognised in Comprehensive Income</b>	<b>(2,653)</b>	<b>8,190</b>
<b>Cumulative Actuarial Losses</b>	<b>(8,268)</b>	<b>(5,615)</b>

**Movement in pension deficit during the year**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Deficit at beginning	(4,880)	(12,460)
Current Service cost	(947)	(1,011)
Past Service cost	-	-
Expected Return on Employers assets	1,092	1,038
Interest Costs	(1,227)	(1,366)
Employers contribution	686	729
Actuarial (loss)/gain	(2,653)	8,190
<b>Pension deficit at end of year</b>	<b>(7,929)</b>	<b>(4,880)</b>

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**11. Pension Obligations (continued)**

- ii. Scottish Housing Association Pension Scheme is a multi-employer defined benefit scheme managed by the Pension Trust. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives within the Company.

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

	<b>2019</b>	<b>2018</b>
	<b>(£'000)</b>	<b>(£'000)</b>
Fair value of plan assets	4,709	3,542
Present value of defined benefit obligation	6,360	4,900
Deficit in plan	(1,651)	(1,358)
Defined benefit asset (liability) to be recognised	(1,651)	(1,358)

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

	<b>2019</b>
	<b>(£'000)</b>
Defined benefit obligation at start of period	4,900
Current service cost	950
Expenses	2
Interest expense	142
Contributions by plan participants	352
Actuarial losses (gains) due to scheme experience	(351)
Actuarial losses (gains) due to changes in demographic assumptions	14
Actuarial losses (gains) due to changes in financial assumptions	506
Benefits paid and expenses	(155)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	6,360

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**11. Pension Obligations (continued)**

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

	<b>2019</b> <b>(£'000)</b>
Fair value of plan assets at start of period	3,542
Interest income	102
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	271
Contributions by the employer	597
Contributions by plan participants	352
Benefits paid and expenses	(155)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	4,709

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £373,000.

**DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)**

	<b>2019</b> <b>(£'000)</b>
Current service cost	950
Expenses	2
Net interest expense	40
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	992

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**11. Pension Obligations (continued)**  
**DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME**

	<b>2019</b> <b>(£'000)</b>
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	271
Experience gains and losses arising on the plan liabilities - gain (loss)	351
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(14)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(506)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	102
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	102

**ASSETS**

	<b>2019</b> <b>(£'000)</b>	<b>2018</b> <b>(£'000)</b>
Global Equity	758	637
Absolute Return	399	420
Distressed Opportunities	80	16
Credit Relative Value	82	-
Alternative Risk Premia	263	134
Fund of Hedge Funds	13	102
Emerging Markets Debt	151	121
Risk Sharing	136	32
Insurance-Linked Securities	122	97
Property	94	140
Infrastructure	197	65
Private Debt	61	33
Corporate Bond Fund	330	247
Long Lease Property	57	-
Secured Income	164	130
Over 15 Year Gilts	121	114
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,676	1,247
Net Current Assets	5	7
Total assets	4,709	3,542

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2019**

**11. Pension Obligations (continued)**

**KEY ASSUMPTIONS**

	<b>31/03/2019 % per annum</b>	<b>31/03/2018 % per annum</b>
Allowance for commutation of pension for cash at retirement	75	75
Inflation (RPI)	3.16	3.05
Increase in salaries	3.16	3.05
Increase (CPI)	2.16	2.05
Discount rate	2.4	2.6

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

	<b>Life expectancy at age 65 (Years)</b>
Male Retiring in 2019	21.7
Female Retiring in 2019	23.4
Male Retiring in 2039	23.1
Female Retiring in 2039	24.7

The nature of the change in the pension treatment within the accounts is detailed within accounting policy I) ii) Pension.

The adjustments required to the financial statements in order to apply the change in accounting treatment were as follows:

**De-recognition of the deficit funding agreement as at 1 April 2018**

£220,000 was removed from Creditors within the Statement of Financial Position and recognised in Other Comprehensive Income.

**Recognition of the net pension deficit as at 1 April 2018**

£1,358,000 was recognised within Other Comprehensive Income.

The net effect of the change in accounting treatment was therefore an increase to the deficit of £1,138,000 recognised within Other Comprehensive Income and an increase to Total Liabilities within the Statement of Financial Position.

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**12. 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.

**13. Reconciliation of movement in reserves – Group**

<b>Income &amp; Expenditure Reserve</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Opening funds	22,839	17,204
Deficit for period	(3,995)	(2,621)
Change in Accounting Estimate (SHAPS)	220	53
SHAPS Change in Accounting Disclosures	(1,358)	-
Tfr (from)/to Restricted Reserve	(24)	13
SHAPS Actuarial gain on pension scheme	102	-
LGPS Actuarial (loss)/gain on pension scheme	(2,653)	8,190
Revenue reserve at end of year	<b>15,131</b>	<b>22,839</b>

<b>Restricted Reserves</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Opening funds	5	18
Movement in the Year	24	(13)
Restricted Reserve	<b>29</b>	<b>5</b>

<b>Restricted Reserve Detail</b>	<b>Opening Funds</b>	<b>Movement in Year</b>	<b>Balance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Support & Connect	5	24	29
Restricted Reserve	<b>5</b>	<b>24</b>	<b>29</b>

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**13. Reconciliation of movement in reserves - Company**

<b>Income &amp; Expenditure Reserve</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Opening funds	22,775	17,204
Deficit for period	(4,049)	(2,685)
Change in Accounting Estimate (SHAPS)	220	53
SHAPS Change in Accounting Disclosures	(1,358)	-
Tfr (from)/to Restricted Reserve	(24)	13
SHAPS Actuarial gain on pension scheme	102	-
LGPS Actuarial (loss)/gain on pension scheme	(2,653)	8,190
Revenue reserve at end of year	<b>15,013</b>	<b>22,775</b>

<b>Restricted Reserves</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Opening funds	5	18
Movement in the Year	24	(13)
Restricted Reserve	<b>29</b>	<b>5</b>

<b>Restricted Reserve Detail</b>	<b>Opening Funds</b>	<b>Movement in Year</b>	<b>Balance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Support & Connect	5	24	29
Restricted Reserve	<b>5</b>	<b>24</b>	<b>29</b>

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**14. Notes to the Cash Flow Statement - Group**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>a) Reconciliation of operating surplus to Net cash inflow from operating activities</b>		
Operating deficit	(313)	(169)
Depreciation	6,628	5,240
Pension – employee income	791	610
Capital Grant Released	(1,275)	(1,359)
(Increase)/Decrease in debtors	(69)	1,653
(Decrease)/Increase in stock	(48)	7
Decrease in creditors	(1,491)	(1,953)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>4,223</u>	<u>4,029</u>
<b>b) Reconciliation of net cash flow to movement in net debt</b>		
Decrease in cash for the period	(3,433)	(3,888)
Loans received	(17,743)	(18,480)
Loan repayments	472	92
	<hr/>	<hr/>
Change in net debt	(20,704)	(22,276)
Opening Net debt	(57,608)	(35,332)
Net debt as at 31 March 2019	<u><b>(78,312)</b></u>	<u><b>(57,608)</b></u>

**c) Analysis of changes in net debt**

	<b>As at</b>	<b>Cash</b>	<b>Other</b>	<b>As at</b>
	<b>01/04/18</b>	<b>Flow</b>	<b>Changes</b>	<b>31/03/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	4,191	(3,433)	-	758
Debt due within one year	-	-	-	-
Debt due after one year	(61,799)	(17,271)	-	(79,070)
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	(57,608)	(20,704)	-	<b>(78,312)</b>



**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**14. Notes to the Cash Flow Statement - Company**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>a) Reconciliation of operating surplus to Net cash inflow from operating activities</b>		
Operating deficit	(392)	(258)
Depreciation	6,602	5,229
Pension – employee income	791	610
Capital Grant Released	(1,275)	(1,359)
Decrease in debtors	57	1,434
Decrease/(Increase) in stock	8	(5)
Decrease in creditors	(1,884)	(1,438)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>3,907</u>	<u>4,213</u>
<b>b) Reconciliation of net cash flow to movement in net debt</b>		
Decrease in cash for the period	(3,633)	(3,597)
Loans received	(17,743)	(18,480)
Loan repayments	472	92
	<hr/>	<hr/>
Change in net debt	(20,904)	(21,985)
Opening Net debt	(56,817)	(34,832)
Net debt as at 31 March 2019	<u>(77,721)</u>	<u>(56,817)</u>

**c) Analysis of changes in net debt**

	<b>As at</b>	<b>Cash</b>	<b>Other</b>	<b>As at</b>
	<b>01/04/18</b>	<b>Flow</b>	<b>Changes</b>	<b>31/03/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	3,914	(3,633)	-	281
Debt due within one year	-	-	-	-
Debt due after one year	(60,731)	(17,271)	-	(78,002)
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	(56,817)	(20,904)	-	(77,721)

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**15. Unit numbers under management**

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Cottage	1,918	1,859
Flat	575	572
Maisonette	94	132
Multi-Storey	830	834
Tenement	2,264	2,244
	<b>5,681</b>	<b>5,715</b>

**16. Related Parties**

The Company has taken advantage of the exemption in FRS 102 from the requirement to disclose transactions with group companies.

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. During the year £9,134 (2018: £8,782) of rent was receivable from these tenant members. At the year-end there were £nil (2018: £nil) of rent arrears due from these tenant members. 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**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees payable to the auditor and its associates for the audit of the financial statements	<b>13</b>	<b>13</b>	<b>11</b>	<b>11</b>
Fees payable to the auditor and its associates in relation to taxation services	<b>9</b>	<b>1</b>	<b>8</b>	<b>-</b>

**RIVER CLYDE HOMES AND SUBSIDIARY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**18. Annual Operating Leases - Group and Company**

	<u>2019</u> <u>£'000</u>		<u>2018</u> <u>£'000</u>	
	<u>Land &amp; Buildings</u>	<u>Other Assets</u>	<u>Land &amp; Buildings</u>	<u>Other Assets</u>
<b>Leases &lt; 1 year</b>	188	338	199	323
<b>Leases 1 - 5 years</b>	361	64	343	45
<b>Leases &gt; 5 years</b>	738	-	-	-
	<b>1,287</b>	<b>402</b>	542	368

All the above leases relate to land, buildings, IT infrastructure and plant and machinery. The cost of operating leases recognised as an expense during the year amounted to £0.5 million (2018: £0.5 million).

**19. Interest Payable and Other Charges**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Banks and Building Society Loans	3,547	2,320
	<b>3,547</b>	2,620

**20. Capital Commitments**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Expenditure authorised by the Board	64,379	83,577
less certified	(18,241)	(18,465)
	<b>46,138</b>	65,112

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

**21. Tax on Profit on Ordinary Activities**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<i>Current Tax:</i>		
UK corporation tax on profits of current year	-	-
Adjustments in respect of previous periods	-	-
Total current tax	-	-
<i>Deferred tax:</i>		
Origination and reversal of timing differences	-	-
Effect of increased tax rate on opening liability	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-



