

PARAGON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

Registered Housing Association No. 298

Financial Services Authority No. 2521R (S)

Charity No. SCO36262

BAKER TILLY UK AUDIT LLP

Chartered Accountants

Edinburgh

PARAGON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

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Registration Particulars:

Financial Services Authority	Industrial and Provident Societies Act 1965 Registered Number 2521R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered Number 298
Charity Number	SCO36262

PARAGON HOUSING ASSOCIATION LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

31 MARCH 2011

Committee of Management

Flora Wallace	Chairperson
Helen Forrest	Vice Chairperson
Jean Murray	
Tina Murphy	
Susan Robertson	Treasurer
Elisabeth Campbell	
Cllr Kenneth Earle	Representing Clackmannanshire Council
Fiona Speirs	
Michael Hesketh	Appointed 15 September 2010
Sheila Davies	
Jim Morrison	
Iris Abercrombie	
Cllr Andrew Simpson	Representing Stirling Council
Simone Greenshaw	Resigned 20 April 2011
Cllr Angus MacDonald	Representing Falkirk Council from Oct 2010 Resigned 13 May 2011

Executive Officers

Margaret Torrance	Director
Linda Banks	Finance and Investment Manager
Sheelagh Norris	Housing Manager
William Baxter	Programme and Regeneration Manager
Linda Duncan	Policy & Compliance Manager

Registered Office

Invergrange House
Station Road
Grangemouth
FK3 8DG

Bankers

The Co-operative Bank plc
1 Balloon St
Manchester
M60 4EP

Royal Bank of Scotland plc
Grangemouth Branch
2 La Porte Precinct
Grangemouth
FK3 8AS

Solicitors

HBJ Gateley Wareing
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

External Auditors

Baker Tilly UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Internal Auditors

Alexander Sloan
38 Cadogan Street
Glasgow
G2 7HF

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2011

The Management Committee present their report and audited financial statements for the year ended 31 March 2011.

Structure, Governance and Management

Paragon Housing Association Ltd is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority. Paragon is a Registered Social Landlord and a registered charity and was established under a Memorandum of Association which established the objects and powers of the Association.

The Management Committee plays an active and vital part in the successful running of the Association and members take part in skills development sessions. During 2010/11 members were involved in several seminars relating to the development of the Scottish Government's national housing policy initiatives such as the Social Housing Charter.

Principal Activity

The principal activity of the Association is the provision of social rented accommodation.

Review of Operations

During the period 2010/11 the Association's stock numbers remained stable with a net reduction of only one property from the previous year end. This reflects continuing activity in the Scottish Government's Mortgage to Rent Scheme, which assists in the prevention of homelessness and off set a small number of Right to Buy sales.

The planned stock investment programme continued with the installation of doors, windows, heating, insulation, roofing, upgrading of the Pleau housing complex (to ensure it complies with amenity housing standards) and other cyclical maintenance projects. Grant funding from the Scottish Government's Energy Assistance Package and utility supplier's Carbon Emissions Reduction Target (CERT) assisted with the insulation measures.

Good progress was made towards achieving the Scottish Housing Quality Standard by the 2015 deadline and as at 31st March 2011, 83.5% of the Association's stock is SHQS compliant.

A strategic review was carried out with the participation of Management Committee and staff in April 2010. Good progress was made during the year towards meeting the key objectives identified in the Internal Management Plan and Medium Term Plan.

One objective fulfilled during 2010/11 was attaining accreditation under the Scottish Government's scheme, Scottish National Standards for Information and Advice Providers.

The accreditation scheme is promoted by the Information and Advice Standards Unit (IASU) and it works with organisations to improve the quality and accessibility of information and advice across Scotland. The accreditation is valid for four years and the Association is required to continue to keep up to date on housing advice matters during that time.

In July 2010 the Scottish Government Housing Minister formally opened the joint Link/Paragon housing development at Craigleith Rd, Grangemouth.

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2011

The winter months of late 2010 and early 2011 threw up some challenges to service provision because of the severe weather conditions which prevailed. Despite the extreme conditions, staff members were able to open the office every day and kept service users up to date with developments through the Association's web site, including notification of a short period when repair response time targets were suspended. The McDougall Group, the Association's reactive maintenance service provider, performed well in the severe conditions. Weather related damage to properties was relatively low given the conditions and demonstrated that significant investment in insulation and other measures have had a positive impact on the stock.

Partnership working continued. The Association is working successfully in partnership across a number of projects including the following:

- development of a further phase of the successful Environmental & Improvement Project in Alloa with a local social enterprise, CMEE.
- continuing participation in the award winning Older Persons Advice Project developed by Linkwide.
- participation in the Green Action Volunteers Project which is a conservation, tourism and volunteering project for 16 to 24 year olds.
- partnering with a number of other housing associations in a tenancy sustainment project, the Homeless Prevention Service, which is delivered by specialist support staff provided by the Cymenians.
- contributions continue to be made to the development of local authority plans and strategies.

A successful joint Tenants Conference was held in June in conjunction with other Forth Valley housing providers. It included a presentation on the Social Housing Charter from a representative of the Scottish Government. Tenants also attended housing related workshops throughout the day and had the opportunity to attend an Information Market where Citizens Advice Bureau, Forth Valley Healthy Living Project etc were on hand to provide advice.

Staff training continued with an in house programme and external courses attended. Sessions have included health and safety, operational training in a number of areas and regular policy briefings.

During the year staff also undertook a number of fundraising activities, raising several hundreds of pounds for charity.

Financial Review

The Income & Expenditure Account and Balance Sheet for the year reflects the continued investment put into the housing stock. The Association acquired 4 additional properties through the Scottish Government's Mortgage to Rent Scheme. The planned maintenance programme spend of £2.1m included central heating, windows & doors and door entry systems, reflecting the work carried out towards the SHQS. Taken together this has resulted in a surplus of £399k. As a result, £50k was transferred into designated reserves in recognition of future planned maintenance requirements.

During 2010 the Scottish Government agreed to set aside the Large Scale Voluntary Transfer contracts entered into as part of the stock transfer process. The agreement states that the excess Right to Buy receipts which were due and payable by the Housing Association to the Scottish Ministers pursuant to the Agreement will be used to support the Government's Economic Recovery Programme.

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2011

During 2010/11 the Association's spend on activities related to this programme was £1.6m therefore the conditions of the agreement have been met.

Future Developments

The Association plans to continue to deliver its major programme of planned maintenance and improvements including windows/doors, central heating, re-roofing, external fabric, insulation upgrading and DES installations.

An organisational review is under way looking at how the Association can ensure that structure and systems are geared to meet challenges and take advantage of opportunities going forward.

Going Concern

During 2010/11 the Association successfully concluded an agreement for additional funding in the region of £5 million with the Co-operative Bank. This funding was put in place to finance development activities, mortgage to rent activities and stock investment and continues to grow the successful relationship between the Association and the Bank.

The initial drawdown of the additional funding was made during July 2010 and the Association continues to hold significant unencumbered assets. With this injection of capital, the investment programme can continue to successfully progress towards achieving the Scottish Housing Quality Standard, development and mortgage to rent activities will continue and the organisation remains financially stable going forward. This view is supported by the most recent review of the 30 year cashflow going forward.

It is therefore the opinion of the Management Committee that the organisation is a going concern.

Reserves Statement

The Association has primarily been established through a series of Large Scale Voluntary Transfers (LSVT). As such, it is mainly debt funded and has limited revenue reserves. This is one of the defining characteristics of an LSVT housing association.

The Association's 30 year consolidated Business Plan predicts a series of planned surpluses and deficits across the plan period. This plan predicts that the Association can meet its commitments to maintain the housing stock to a good standard. The value of the ongoing programme of work fluctuates year on year in accordance with the improvement and maintenance programme as determined by life cycle costings and statutory requirements such as achieving the Scottish Housing Quality Standard.

In addition to working capital, general reserves will be held for programmes identified by the Management Committee. A target of three months operating costs to be held in general reserves and reviewed annually.

The designated reserves will be used for future major repairs and maintenance or any other purpose as determined by the Management Committee. As there is no definitive statement as to the appropriate level of transfer to designated reserves this will be an annual assessment to be made by the Management Committee taking account of factors such as risk, future maintenance requirements, etc. Investment in the region of £6 million is planned over the next 3 financial years.

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REPORT OF MANAGEMENT COMMITTEE

31 March 2011

In addition, the Association may hold Restricted Reserves for specific purposes such as the requirements of regulators or funders. This will be reviewed annually.

Treasury management

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2011, the Association has an appropriate mix of fixed and variable rate finance. As at 31st March 2011 the Association holds loans in the proportion of 52.4% at fixed rate and 47.6% at variable rate.

Risk Policy and major risks facing the Association

The Association has a Risk Management Strategy and Risk Register in place. These are regularly reviewed and a regular risk report is scrutinised by the Audit Committee. The Audit Committee also consider emerging risks as part of this process. A programme of internal audit is in place. During 2010/11 the following areas were included in the internal audit programme; financial management, financial viability, budget setting, risk management, governance and a range of operational areas.

The main risks facing the Association surround achieving the Scottish Housing Quality Standard in the required timescales, the uncertainties of current economic climate, challenges coming forward through changes in national housing policy and the management of gas safety. All of the risks have been identified and appropriate action is being taken to monitor and control these.

Potential risks arising from the Welfare Reform Act and recent Scottish Government proposals on the reduction of grant funding for adaptations have been identified as key emerging risks. The Association is considering the impact of these risks and is taking steps to address these.

Maintenance policies

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition the Association has a long term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure Account and the Association is now considering which elements will be capitalised under the provisions contained in the SORP regarding Component Accounting elements.

Rent Policy

The majority of the Association's housing stock has been acquired through Large Scale Voluntary Transfer. The contract conditions attached require that rents charged at transfer were those applied by the former landlord, Scottish Homes. The original rents were based on a formula based on Gross Annual Value.

The annual rent increase policy is predicated on the original business plans underpinning the transfers allowing for an inflation (RPI) plus margin increase uplift on an annual basis. There is also a facility

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2011

for one off increases in respect of improvements. This is only used for the first time installation of central heating.

The Association carries out an annual rent review which includes consideration of issues such as viability, affordability and market comparison against other social housing providers on a geographic and peer group basis. Tenants are consulted as part of this process. This information is then used to fix the level of the annual rent increase. The rent increase for 2011/12 was 5.6%.

Creditor Payment Policy

The payment policy, which the Association follows, is to pay all purchases within 28 days, although some payments are settled in 7 days, and/or in accordance with creditor terms of business. Invoices were paid within the 28 days the exception being where accounts were in dispute e.g. awaiting credit notes.

Employee involvement and Health and Safety

Paragon Housing Association encourages employee involvement in all major initiatives and involves staff in the formulation of strategic objectives.

A Health & Safety Sub Committee meeting is held quarterly where staff and Committee members can and do raise health and safety issues. There are frequent reviews of policies and practices in relation to health & safety. Regular health and safety audits are carried out by an independent consultant. Senior Managers undertook training on Mentally Healthy workplaces and a staff session was held on stress awareness.

The Association is taking part in the national "Healthy Working Lives" scheme and were awarded **Bronze Award** in September 2010. Work is currently underway towards attaining a silver award.

Changes in fixed assets

Changes in fixed assets are set out in note 8.

The Committee of Management and Executive Officers

The Management Committee and executive officers of the Association are listed on page 1.

Each member of the Committee of Management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the Committee.

Training and Recruitment of Management Committee

The Association is governed by an experienced Management Committee supported by a sub committee structure. Training needs of the Management Committee and staff are regularly reviewed and an annual training programme established.

New members are elected at the Association's AGM and an induction session is held with them. This includes a stock tour to which all Management Committee members are invited.

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2011

Internal Financial Control (page 10)

The Committee is responsible for the Association's system of internal financial control, and has reviewed its effectiveness from information provided by management staff.

Any system can only provide reasonable and not absolute assurance against material misstatement or loss.

The financial controls system within the Association is fundamentally simple and appropriate to the size and complexity of the organisation. It includes a combination of regular review of financial results compared with an agreed budget and authorisation of all expenditure by senior staff and Committee. In addition, a programme of internal audit reviews examines the operations of controls across all areas of activity on a cyclical basis.

Related Party Transactions

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage. Some members of the Committee are also members of Falkirk, Stirling or Clackmannanshire Councils with which the Association continues to undertake arms length transactions.

Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 14. The surplus for the year of £398,903 has been dealt with as follows:

	2011	2010
	£	£
Surplus for the year	398,903	850,220
Transfer to designated reserves (Note 5)	(50,000)	(200,000)
Transfer from designated reserves (Note 5)	-	-
Net movement in revenue reserve	<u>348,903</u>	<u>650,220</u>

Statement as to disclosure of information to auditors

The Management Committee members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Committee members have confirmed that they have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2011

Auditors

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

On behalf of the Management Committee

 Secretary

Date: 30th August 2011

PARAGON HOUSING ASSOCIATION LIMITED

STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES

Statute requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of affairs of the Association and of the surplus or deficit for that period. In preparing those financial statements, the Management Committee are required to fulfil the following obligations:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee confirm that the financial statements comply with the requirements.

The Management Committee are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Management Committee

Date:

30th August 2011

 Secretary

PARAGON HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2011

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association 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 Association or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets (against unauthorised use or disposition).

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Key elements include ensuring that:

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions.
- Forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks and financial objectives and progress towards the financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variance from budgets are investigated as appropriate.
- Assessment of major business risks is carried out, including new initiatives, major financial commitments and treasury management using laid down criteria.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures.
- The Committee review reports from management and from external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- The Association now has a formal audit needs assessment in place and internal audit work has been carried out during the year.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management have reviewed the system of internal financial control in the Association during the year ended 31 March 2011. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

The arrangements comply with the requirements contained in the Scottish Housing Regulators and the Scottish Federation of Housing Association's publication "Raising Standards in Housing".

By order of the Committee of Management

Date: 30TH AUGUST 2011

Secretary

PARAGON HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 10 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

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

Opinion

In our opinion the statement on Internal Financial Control on page 10 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: *31 August 2011*

PARAGON HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON HOUSING ASSOCIATION

We have audited the financial statements of Paragon Housing Association for the year ended 31 March 2011 on pages 14 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee of Management and auditor

As explained more fully in Committee of Management's Responsibilities Statement set out on page 9 the Committee of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

PARAGON HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON HOUSING ASSOCIATION

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: *31 August 2011*

PARAGON HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
Turnover	2	4,883,765	4,248,311
Less: Operating costs	2	<u>(4,590,706)</u>	<u>(2,994,979)</u>
Operating surplus		293,059	1,253,332
Gain on disposal of fixed assets		104,860	16,111
RTB Clawback Funds– Post Contracts set aside by Scottish Executive	1	606,652	-
Interest receivable and other income		14,855	13,585
Interest payable and similar charges	4	<u>(620,523)</u>	<u>(432,808)</u>
Surplus for the year	7	<u>398,903</u>	<u>850,220</u>

All activities relate to continuing activities. There are no recognised surpluses or deficits in the current or preceding year other than those included in the income and expenditure account.

PARAGON HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 March 2011

	Notes	2011 £	2010 £
Tangible Fixed Assets			
Housing properties – depreciated cost	8	18,932,042	18,614,446
Less: HAG and other capital grants	8	(4,510,144)	(4,328,138)
		<u>14,421,898</u>	<u>14,286,308</u>
Other Fixed Assets	8	<u>544,456</u>	<u>481,762</u>
		<u>14,966,354</u>	<u>14,768,070</u>
Current Assets			
Debtors	9	427,327	304,998
Cash at bank and in hand		<u>4,215,986</u>	<u>2,048,660</u>
		4,643,313	2,353,658
Creditors: amounts falling due within one year	10	<u>(1,640,949)</u>	<u>(1,353,759)</u>
Net current assets		<u>3,002,364</u>	<u>999,899</u>
Total assets less current liabilities		17,968,718	15,767,969
Creditors: amounts falling due after more than one year	11	<u>(16,193,625)</u>	<u>(14,391,789)</u>
Net Assets		<u>1,775,093</u>	<u>1,376,180</u>
Capital and Reserves			
Share capital	12	402	392
Designated reserves	5	682,000	600,000
Restricted reserves	6	-	32,000
Revenue reserves	7	<u>1,092,691</u>	<u>743,788</u>
		<u>1,775,093</u>	<u>1,376,180</u>

These financial statements were approved by the Management Committee and authorised for issue on 17th August 2011 and signed on their behalf by:

Committee Member

S. L. Campbell

Committee Member

Gloria Wallace

Secretary

[Signature]

PARAGON HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 March 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	16(a)	899,989	1,782,179
Returns on investment and servicing of finance			
Interest received		14,855	13,585
Interest paid		(620,523)	(432,808)
Net cash (outflow) from returns on investments and servicing of finance		(605,668)	(419,223)
Capital Expenditure & Financial Investments			
Purchase and development of housing properties		(626,783)	(2,926,862)
Proceeds from sale of properties		155,710	52,280
Payments to acquire other tangible fixed assets		(80,692)	(12,024)
Capital Grants received		182,006	1,802,049
Net cash (outflow) from Capital Expenditures & Financial Investments		(369,759)	(1,084,557)
Net cash (outflow)/ inflow before financing		(75,438)	278,399
Financing			
Loan principal repayments		(557,270)	(393,423)
New Loan Drawdowns		2,800,000	-
Shares issued		34	7
Net cash inflow/(outflow) from financing		2,242,764	(393,416)
Increase/(Decrease) in cash and cash equivalents		2,167,326	(115,017)

Further information is given in note 16.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

1. Accounting Policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (n) below. The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Service Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords", and applicable accounting standards.

(b) Going Concern

In 2010/11 the Association negotiated an additional facility of £5 million with the Co-operative Bank in order to finance development activities, mortgage to rent activities and stock investment. A stock revaluation demonstrated a considerable appreciation in the asset base.

The additional funding agreement was concluded in July 2010. The Association continues to hold significant unencumbered assets. With this injection of capital, the investment programme can continue to successfully progress towards achieving the Scottish Housing Quality Standard, development and mortgage to rent activities will continue and the organisation remains financially stable going forward. This view is supported by the most recent review of the 30 year cashflow going forward.

It is therefore the opinion of the Management Committee that the organisation is a going concern, and as such the financial statements have been prepared on this basis.

(c) Turnover

Turnover represents rental and service charge income receivable from tenants. Tenant service charges are levied on a basis intended to cover appropriate service costs each year.

(d) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in note 8 will be grant aided, funded by loans or met out of reserves, or from proceeds of sales.

(e) Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

(f) **Fixed assets - Housing land and buildings (note 8)**

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme to date of completion

These costs are either termed "qualifying costs" by Housing and Investment Division at the Scottish Government for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Development costs are capitalised to the extent that they are attributable to specific schemes and where such costs are not felt to be excessive.

If expenditure does not qualify for HAG, it is nevertheless capitalised.

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

Sale of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of the property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

(g) **Depreciation**

(i) **Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation.

Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2% per annum on a straight line basis.

Depreciation on housing fixtures additions is charged over 20 years at 5% on a straight line basis. No depreciation is charged on the cost of land.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

(ii) **Other fixed assets**

The Association's assets are written off evenly over their expected useful lives as follows:

Computer Equipment	-	33% on cost
Furniture, Fittings & Equipment	-	25% on cost
Office Property	-	2% on cost

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

The capitalisation limit used by the Association is £500.

(h) **Impairment of fixed assets**

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the Income and Expenditure account.

(i) **Reserves**

Designated reserve - Reserves for future life cycle costing

Accrued cyclical maintenance, being the Association's commitment to maintain its properties in accordance with planned programme of works, is set aside in a designated reserve, to the extent that it will not be met from revenue in the year in which it is incurred. In addition, an amount is set aside based on the Association's requirement to maintain housing properties in a state of repair, which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to General Reserves as appropriate.

The aim over the next 5 years is to achieve a position of holding reserves for planned and major repairs equal to the value of 3 month's working capital (circa £850k) for these activities. However as the Association has mainly acquired properties through the LSVT route, progress will be dependent on the year on year level of activity as set out in the Business Plan.

Designated reserve - Repair Condition

This was a restricted reserve related to monies received from Communities Scotland (now HID Scottish Government) in connection with the stock transferred from Communities Scotland. This restriction was removed by the setting aside of the LSVT Contracts by the Scottish Government. The Association has currently set this money aside for use on future investigation or repairs relating to the risk.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

(j) **Apportionment of management expenses**

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

(k) **Operating Leases**

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

(l) **Pensions**

The Association participates in the centralised multi-employer Scottish Housing Associations' (SHA) Defined Benefit Pension Scheme (SHAPS) and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The expected cost to the Association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole. Employer contributions are recognised as they become payable.

(m) **Improvements**

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

- an increase in future rental income; or
- 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.

(n) **RTB Clawback Funds**

The Scottish Government set aside the Large Scale Voluntary Transfer contracts during 2010. In previous years the funds accrued with regard to the RTB Clawback were accounted for within creditors. Now the contracts have been set aside this total sum has been accounted for under operating surplus for this financial year end.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

2. Particulars of turnover, operating costs and operating surplus/(deficit) and surplus/(deficit) before taxation by class of business

	Turnover	Operating Costs	Operating Surplus/ (Deficit)	2010 Total
	£	£	£	£
Social lettings (Note 3a)	4,577,835	(4,237,676)	340,159	1,256,510
Other activities (Note 3b)	305,930	(353,030)	(47,100)	(3,178)
2011 Total	<u>4,883,765</u>	<u>(4,590,706)</u>	<u>293,059</u>	<u>1,253,332</u>
2010	<u>4,248,311</u>	<u>(2,994,979)</u>	<u>1,253,332</u>	

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

3 (a) Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs Housing £	Supported Housing Accommodation £	2011 Total £	2010 Total £
Income from lettings				
Rents receivable net of service charges	4,231,064	52,457	4,283,521	4,049,425
Less: Rent Losses from Voids	(8,834)	(22)	(8,856)	(8,477)
Net Rents receivable	<u>4,222,230</u>	<u>52,435</u>	<u>4,274,665</u>	<u>4,040,948</u>
Other revenue grants	100,036	-	100,036	15,937
Grants from Scottish Ministers	203,134	-	203,134	99,753
Total Income from Lettings	<u>4,525,400</u>	<u>52,435</u>	<u>4,577,835</u>	<u>4,156,638</u>
Expenditure on Letting Activities				
Management and maintenance administration costs	1,186,369	14,018	1,200,387	1,226,355
Reactive maintenance costs	600,276	11,935	612,211	664,824
Bad debts – rent and service charges	43,214	-	43,214	23,515
Planned and cyclical maintenance including major repair expenditure	2,105,530	-	2,105,530	750,976
Depreciation of social housing	272,677	3,657	276,334	234,458
Total Expenditure on Lettings	<u>4,208,066</u>	<u>29,610</u>	<u>4,237,676</u>	<u>2,900,128</u>
Operating Surplus on Letting Activities 2011	<u>317,334</u>	<u>22,825</u>	<u>340,159</u>	<u>1,256,510</u>
Operating Surplus on Letting Activities 2010	1,236,341	20,169	1,256,510	

Of the £2,110k Major Repairs spent in the year, £286k was capitalised (2010: £13k) and £1,825k was expensed (2010: £324k)

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

3 (b) Particulars of turnover, operating costs and operating surplus/(deficit) from other activities

	Grants from Scottish Ministers	Other Revenue Grants	Supporting people income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Total Operating costs	Operating Surplus/ (Deficit)
	£	£	£	£	£	£	£	£	£
Wider role activities	138,164	85,161	-	-	223,325	-	(255,364)	(255,364)	(32,039)
Care and repair of property	-	-	-	-	-	-	(49,435)	(53,568)	2,035
Factoring	-	-	-	55,603	55,603	(4,133)	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency management services – RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities –insurance and tenant recharges	-	-	-	27,002	27,002	(19,929)	(24,169)	(44,098)	(17,096)
Total from other activities	138,164	85,161	-	82,605	305,930	(24,062)	(328,968)	(353,030)	(47,100)
Total from other activities - 2010	-	20,601	-	71,072	91,673	(22,072)	(72,779)	(94,851)	(3,178)

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

4. Interest payable

	2011	2010
	£	£
Loan Interest	551,657	432,808
Non Utilisation Interest	18,866	-
Arrangement Fee	50,000	-
Total	<u>620,523</u>	<u>432,808</u>

5 Designated Reserves

	AT 1 April 2010	Transfer In	Transfer Out	AT 31 March 2011
	£	£	£	£
Life Cycle Costing Reserve	600,000	50,000	-	650,000
Repair Condition	-	32,000	-	32,000
Designated Reserve as at 31 March 2011	<u>600,000</u>	<u>82,000</u>	<u>-</u>	<u>682,000</u>

No restrictions are placed upon this reserve, but the committee has designated its use for specific purposes in respect of life cycle maintenance. The life cycle maintenance costs to be incurred over the next three years are expected to be around £5.5m.

6. Restricted Reserves

	AT 1 April 2010	Transfer In	Transfer Out	AT 31 March 2011
	£	£	£	£
Repair Condition	32,000	-	(32,000)	-
RTB Clawback	-	606,652	(606,652)	-
Restricted Reserve as at 31 March 2011	<u>32,000</u>	<u>606,652</u>	<u>(638,652)</u>	<u>-</u>

The previously restricted reserves have now been transferred to designated reserves and the RTB Clawback moved back to the revenue reserve.

7. Revenue Reserve

	2011	2010
	£	£
As at 1 April 2010	743,788	93,568
Surplus for the year	398,903	850,220
Transfer to Designated Reserves (Note 5)	(50,000)	(200,000)
Revenue Reserve as at 31 March 2011	<u>1,092,691</u>	<u>743,788</u>

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

8. Tangible Fixed Assets

	Housing Properties Held for Letting	Housing Fixtures	Total	Office Property	Furniture, Fittings & Equipment	Total
Cost	£	£	£	£	£	£
At 1 April 2010	20,034,042	361,802	20,395,844	549,921	220,185	21,165,950
Additions during year	341,277	285,506	626,783	73,484	7,208	707,475
Disposals in year	(56,705)	(3,207)	(59,912)	-	(13,438)	(73,350)
At 31 March 2011	20,318,614	644,101	20,962,715	623,405	213,955	21,800,075
Grants Received						
At 1 April 2010	(4,328,138)	-	(4,328,138)	-	-	(4,328,138)
Received during the year	(182,006)	-	(182,006)	-	-	(182,006)
At 31 March 2011	(4,510,144)	-	(4,510,144)	-	-	(4,510,144)
Depreciation						
At 1 April 2010	(1,729,975)	(51,423)	(1,781,398)	(80,828)	(207,517)	(2,069,743)
Charge for the year	(240,249)	(18,089)	(258,338)	(12,328)	(5,669)	(276,335)
Disposals	8,581	482	9,063	-	13,438	22,501
At 31 March 2011	(1,961,643)	(69,030)	(2,030,673)	(93,156)	(199,748)	(2,323,577)
Net Book Value						
At 31 March 2011	13,846,827	575,071	14,421,898	530,249	14,207	14,966,354
At 31 March 2010	13,975,929	310,379	14,286,308	469,093	12,669	14,768,070

None of the Association's land or properties was held under a lease.

Development administration costs capitalised amounted to £nil (2010: £nil).

Interest of £nil (2010: £nil) has been included in the cost of housing properties.

Included within Grants Received at 31 March 2011 is £2,181,245 (2010: £1,999,238) for properties acquired under the Mortgage to Rent scheme with £182,006 (2010: £547,743) being received in the year.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

9.	Debtors	2011 £	2010 £
	Amounts falling due within one year:		
	Gross rents in arrears	240,526	216,986
	Less bad debt provision	(79,201)	(55,683)
		<u>161,325</u>	<u>161,303</u>
	Grants receivable	129,692	5,326
	Other debtors and prepayments	136,310	138,369
		<u>427,327</u>	<u>304,998</u>
10.	Creditors due within one year		
	Loans (Note 11)	647,789	418,221
	Prepaid rent	77,576	76,709
	Other creditors	801,328	500,195
	Grants in advance	23,636	27,088
	Accruals	90,620	331,546
		<u>1,640,949</u>	<u>1,353,759</u>
11.	Creditors due outwith one year		
	Loans	16,193,625	14,180,463
	Other creditors	-	211,326
		<u>16,193,625</u>	<u>14,391,789</u>
	Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest from 1.50563% to 7.24% in instalments.		
	Less than one year (Note 10)	647,789	418,221
	Between one and two years	669,236	444,626
	Between two and five years	2,402,306	1,510,003
	In five years or more	13,122,083	12,225,834
		<u>16,841,414</u>	<u>14,598,684</u>

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

12. Share Capital	2011 £	2010 £
Shares of £1 fully paid and issued at 1 April 2010	392	409
Shares issued during year	34	7
Shares cancelled during year	<u>(24)</u>	<u>(24)</u>
Shares issued at 31 March 2011	<u>402</u>	<u>392</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

13. Employees		
	2011	2010
	£	£
Wages and salaries	708,547	702,664
Social security costs	56,100	53,783
Other pension costs	98,047	95,190
Agency costs	<u>14,558</u>	<u>47,316</u>
	<u>877,252</u>	<u>898,953</u>

The average full time equivalent number of persons employed by the Association during the year were as follows:

	No.	No.
Housing Management	11	11
Property & Regeneration	4	4
Administrative	<u>7</u>	<u>7</u>
	<u>22</u>	<u>22</u>

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £60,000 per year.

	2011	2010
	£	£
Emoluments payable to Director (incl. Pension contributions & Benefits in Kind)	<u>69,025</u>	<u>67,507</u>
Emoluments payable to highest paid Director (excluding Pension contributions)	<u>59,814</u>	<u>58,498</u>
Total expenses reimbursed to directors in so far as not chargeable to UK income tax	<u>155</u>	<u>147</u>

There is only one Director. The Director is an ordinary member of the Association's pension scheme described below. No enhanced or special terms apply to membership and she has no other pension arrangements to which the Association contribute. The Association's contributions for the Director in the year amounted to £9,211 (2010: £9,009)

No member of the Committee of Management received any emoluments in respect of their services to the Association.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

14. Pension Fund

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

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

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

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

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

Paragon Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the scheme as at 30 September 2010. As of this date the estimated employer debt for Paragon Housing Association was £2,515,354.

Paragon Housing Association's expected pension contributions for 2011/12 are £133,720.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

	2011	2010
	£	£

15. Auditors' Remuneration

The remuneration of the auditors (including expenses and including VAT for the year)	<u>12,292</u>	<u>11,548</u>
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Remuneration of the auditors in respect of services other than those of external auditors		
- Accounts preparation	-	953
- Fundraising support	-	21,339
- RSL Training	<u>-</u>	<u>1,444</u>
	<u>-</u>	<u>23,736</u>

16. Notes to the Cash Flow Statement

(a) Reconciliation of surplus to net cash inflow from operating activities

	2011	2010
	£	£
Operating Surplus for year	293,059	1,253,332
Depreciation	276,335	234,458
Shares Cancelled	(24)	(24)
(Increase)/Decrease in debtors	(122,329)	74,639
(Decrease)/Increase in creditors	(153,704)	219,774
RTB Clawback & Discount Written Back	<u>606,652</u>	-
Net cash inflow from operating activities	<u>899,989</u>	<u>1,782,179</u>

2011	2010
£	£

(b) Reconciliation of net cash flow to movement in net debt

Increase/(Decrease) in cash for the year	2,167,326	(115,017)
New Loan Draw Down	(2,800,000)	-
Loan repayments	<u>557,270</u>	<u>393,425</u>
Change in net debt	(75,404)	278,408
Net debt as at 1 April 2010	<u>(12,550,024)</u>	<u>(12,828,432)</u>
Net debt as at 31 March 2011	<u>(12,625,428)</u>	<u>(12,550,024)</u>

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

16. Notes to the Cash Flow Statement (continued)

(c) Analysis of Changes in net debt

	As at 1 April 2010 £	Cash Flow £	Other Changes £	As at 31 March 2011 £
Cash at bank and in hand	2,048,660	2,167,326	-	4,215,986
Debt due within one year	(418,221)	418,221	(647,789)	(647,789)
Debt due after one year	<u>(14,180,463)</u>	<u>(2,660,951)</u>	<u>647,789</u>	<u>(16,193,625)</u>
	<u>(12,550,024)</u>	<u>(75,404)</u>	<u>-</u>	<u>(12,625,428)</u>

	2011 £	2010 £
17. Capital Commitments		
Expenditure authorised by the committee of management contracted less certified	<u>Nil</u>	<u>Nil</u>

18. Housing Stock

The number of units in Management at 31 March 2011 was as follows:

	2011 No.	2010 No.
Supported	20	20
General Needs	<u>1,391</u>	<u>1,392</u>
Total	<u>1,411</u>	<u>1,412</u>

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2011

19. Leasing Commitments

At 31 March 2011 the Association had annual commitments under non-cancellable operating leases as detailed below:

	2011	Equipment
	£	2010
		£
Operating leases which expire:		
Within one year	-	2,553
Within two to five years	<u>27,515</u>	<u>18,419</u>
	<u>27,515</u>	<u>20,972</u>

Lease Commitments paid during 2010/11 was £24,877 (2010: £25,857).

20. Related Party Transactions

The following members of the Committee of Management are also tenants of the Association:

Flora Wallace
Jean Murray
Sheila Davies
Elisabeth Campbell
Iris Abercrombie
Jim Morrison
Michael Hesketh

Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage. Three members, Kenneth Earle, Angus MacDonald and Andrew Simpson, of the Committee are also members of Clackmannanshire, Falkirk and Stirling Councils with which the Association continues to undertake arms length transactions on normal commercial terms and they cannot use their position to their advantage.

21. Contingent Liabilities

At 31 March 2011, apart from the matters outlined in Note 14 (above) on Pension Commitments, the Association had no other contingent liabilities (2010: £Nil).