

PARAGON HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

Registered Housing Association No. 298

Financial Conduct 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 2014

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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 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 2014

Flora Wallace	Chairperson
Helen Forrest	Joint Vice Chairperson
Susan Robertson	Treasurer
Michael Hesketh	Joint Vice Chairperson
Jean Murray	
Elisabeth Campbell	
Fiona Speirs	Resigned September 2013
Iris Abercrombie	
Walter McLay	Resigned July 2013
Andrew Simpson	
Kenneth Earle	
Louisa Hesketh	
Leslie Simpson	Resigned February 2014
Moira Calder	Appointed September 2013
Cllr Tina Murphy	Representing Clackmannanshire Council
Cllr Christine Simpson	Representing Stirling Council
Cllr Joan Paterson	Representing Falkirk Council

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
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 2014

The Management Committee presents their report and audited financial statements for the year ended 31 March 2014.

Structure, Governance and Management

Paragon Housing Association Ltd is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by the Financial Conduct 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.

Membership of the Management Committee is stable with new members joining during the year. An annual stock tour and induction event was held in October 2013. As part of this, members visited several sites and discussed issues around factoring and had a tour of energy efficient improvement works in Grangemouth. The day also included a committee self appraisal and team building session.

During the year members continued to attend conferences and training including sessions on the Housing (Scotland) Bill and tenant scrutiny. Michael Hesketh, Joint Vice Chair, successfully completed the nationally recognised SVQ "Governance of Scottish Housing Associations" qualification. Two members of the Management Committee now hold this qualification.

Principal Activity

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

Review of Operations

There was a reduction in the number of housing units as a result of the impact of the right to buy. The number of housing units owned at 31st March 2014 was 1400 (2013:1410 units).

As with other social housing providers the Association continued to experience the impact of the introduction of the Welfare Reform Act 2012. This has had a detrimental effect directly on tenants and the organisation and this is reflected in Key Performance Indicators on rent arrears and allocations. The Association continues to plan for this and is taking action to mitigate the impact on tenants and our business.

This action has included a successful bid to the BIG Lottery for funding for the delivery of the Paragon Advice and Support Project (PASAP) which allows two full time members of staff to deliver welfare, money and debt advice directly to Association tenants. A steering group was set up to shape and advise the project. It involves tenant and CAB representation. The project has been given the working name of the "Heads Up" project to build on the earlier publicity and awareness material produced by the Association.

In September 2013 the Management Committee hosted a visit by Margaret Burgess, MSP, Minister for Housing and Welfare. The Minister accepted the invitation to hear first hand from Paragon tenants, committee members and staff about the impact the Welfare Reform Act is having on individuals and organisations. Also in attendance was local MSP, Angus MacDonald.

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2014

In line with the requirements of the Property Factors (Scotland) Act 2011 the Association completed the Scottish Government's registration requirements in September 2012 and during 2013/14 Written Statements of Services were provided to 2238 owners. This rollout was supported by access for tenants and owners to on line estate plans, staff training, the production of a factoring handbook for staff and the setting up of a register of enquiries.

A major exercise was undertaken to tender for both the repair (JRW) contract and gas maintenance contracts. Both contracts were awarded to the McDougall Group.

Good progress is being made towards achieving the Scottish Housing Quality Standard with 90% of all properties fully compliant at the year end. The main area to be tackled between April 2014 and March 2015 is the installation of door entry systems (DES) where none exist at communal block entrances. The main challenge around achieving this is the involvement of owners in improvement works.

To this end, a survey of owners and tenants was carried out to establish residents' requirements from DES and the barriers to involvement. The resulting Door Entry Strategy sets out system specifications and attempts to offer practical solutions to overcome barriers to participation. The final stage of consultation is planned for July – December 2014 with tender and works planned for 2015.

During 2013/14 the Association spent over £3.2m on cyclical maintenance, reactive maintenance and property improvements including the installation of new energy efficient gas central heating of which £1,256k was capitalised as new components.

In 2013/14, the Association worked in partnership with a number of Local Authorities to deliver the Scottish Government, Home Energy Efficiency Programme (Scotland) / Area Based Scheme. Grant funding was also secured through ECO and Green Homes cashback. This grant funding allowed the Association to carry out energy efficiency upgrades for both tenants and owners. This work was carried out alongside the Association's major investment in reroofing and rendering.

The Association continued to involve tenants in its work and take on board their views through a variety of methods including undertaking a wide range of surveys, focus group sessions and provision of information on services and performance.

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, policy briefings and welfare reform sessions. The Association also worked in partnership with Falkirk Council's Employment and Training Unit to provide 2 Modern Apprenticeships in Housing Management.

Financial Review

The Income & Expenditure Account and Balance Sheet for the year reflects the continued investment in the housing stock

The planned maintenance programme spend of over £2m included a major central heating programme, energy efficiency measures, re-roofing, rendering and painterwork of which £1.3m was capitalised.

This has resulted in a surplus for the year of £1.2m. (2013 £1.3m)

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2014

Future Developments

Service improvements are planned during the year including the introduction of a repairs by appointment scheme and the roll out of a mobile working pilot.

We are also currently pursuing a potential development partnership project with a potential cost to the Association of circa £1m.

Investment work planned for 2014/15 includes, central heating, sanitary ware, electrical upgrades, energy efficiency measures, roughcast and roofing works.

Going Concern

The Association has a strong cash position and continues to hold significant unencumbered assets. The organisation remains financially stable going forward albeit the Welfare Benefit Reforms have brought new challenges. This view is supported by the most recent review of the 30 year cashflow going forward. These and other financial projections are regularly reviewed as part of the Business Planning cycle.

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. Investment in the region of £5m is planned over the next 3 financial years (capital spend of £3m & revenue spend of £2m).

The designated reserves may be used as determined by the Management Committee. This year the Management Committee has reduced the designated reserves to reflect the Net Present Value (NPV) for payment towards the Pension Past Service Deficit over the next 13 years. 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 etc. The total amount to be paid over the next 13 years has a NPV of £1.39m. This will require to be recognised as a liability in the year ended 31 March 2016 when FRS 102 and the revised Registered Social Landlord Statement of Recommended Practice will come into force.

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

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2014

Treasury management

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2014, the Association has an appropriate mix of fixed and variable rate finance. As at 31 March 2014 the Association holds loans in the proportion of 29% at fixed rate and 71% at variable rate. An updated Treasury Management Strategy was approved in February 2014.

Risk Policy and major risks facing the Association

The Association has a Risk Management Strategy and Risk Register in place. There is an annual review of the Risk Register by the Management Committee. In addition a Fraud Risk review is carried out.

The key risks highlighted in the 2013/14 Risk Review are broadly similar to those of the previous year and included changes to national housing policy, meeting the SHQS, impact of welfare reform, failure to comply with lenders covenants, implementing organizational changes and pensions issues.

A programme of internal audit is in place. During 2013/14 the following areas were included in the internal audit programme;

- Tenant Participation
- Complaints
- Communication
- Equalities
- Regeneration
- APSR Validation
- Reactive Maintenance
- Estate Management
- Access to Housing
- Value for Money
- Financial Management

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. In line with the SORP 2010, replacements to building components (as identified in Note 1g(i)) are capitalised in the accounts as they occur. All other major repairs are charged to the Income and Expenditure account.

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2014

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 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 general rent increase for 2014/15 is 3.5% however a number of properties will have a one off increase of 4% applied in relation to the first time installation of central heating system upon completion of installation. This compares with an average rent increase of 3.9% for 2013/14.

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, 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. Staff and Committee members regularly take part in health and safety training. There are regular briefings on health safety topics.

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.

The Association is taking part in the national "Healthy Working Lives" scheme and were awarded the Silver Award in 2011 and we are currently working towards achieving the Gold Award.

Changes in fixed assets

Changes in fixed assets are set out in note 7.

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2014

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.

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.

PARAGON HOUSING ASSOCIATION LIMITED

REPORT OF MANAGEMENT COMMITTEE

31 March 2014

Surplus for the year and transfers

The results for the year are shown in the Income and Expenditure Account on page 13. The surplus for the year of £1,192,973 (2013: £1,287,616) has been dealt with as follows:

	2014	2013
	£	£
Surplus for the year	1,192,973	1,287,616
Transfer to/(from) designated reserves (Note 5)	21,362	(1,173,463)
	<hr/>	<hr/>
Net movement in revenue reserve	1,214,335	114,153
	<hr/>	<hr/>

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.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office. A formal tender process was carried out in 2014 and Baker Tilly UK Audit LLP were reappointed.

On behalf of the Management Committee


Secretary

Date: 26/8/14

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 the state of affairs of the Association and of the surplus or deficit for that period. In preparing these financial statements, the Management Committee are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to only material departures disclosed and explained in the financial statements; 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounts April 2012. 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



Secretary

Date: 26/8/14

PARAGON HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2014

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 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 2014. 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.

By order of the Committee of Management

Date: 26/8/14

Secretary



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 Limited for the year ended 31 March 2014 on pages 13 to 34. 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 Part 7 of the Co-operative and Community Benefit Societies Act 2014. 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 the 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 <http://www.frc.org.uk/auditscopeworkprivate>

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 2014 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012 .

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 Co-operative and Community Benefit Societies Act 2014 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
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: *28 August 2014*

PARAGON HOUSING ASSOCIATION LIMITED

INCOME & EXPENDITURE

AS AT 31 March 2014

	Notes	2014	2013
		£	£
Turnover	2	5,363,823	4,912,240
Less: Operating costs	2	<u>(4,115,290)</u>	<u>(3,245,614)</u>
Operating surplus	2	1,248,533	1,666,626
Gain on disposal of fixed assets	7a	268,731	203,346
Interest receivable and other income		53,482	36,344
Interest payable and similar charges	4	<u>(377,773)</u>	<u>(618,700)</u>
Surplus for the year	6	<u>1,192,973</u>	<u>1,287,616</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

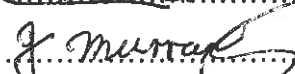
BALANCE SHEET

AS AT 31 March 2014

	Notes	2014	2013
		£	£
Tangible Fixed Assets			
Housing properties – depreciated cost	7	24,536,786	23,935,305
Less: HAG and other capital grants	7	(4,185,134)	(4,185,134)
		<u>20,351,652</u>	<u>19,750,171</u>
 Other Fixed Assets	 7	 <u>500,334</u>	 <u>522,846</u>
		<u>20,851,986</u>	<u>20,273,017</u>
 Current Assets			
Debtors	8	724,508	264,688
Cash at bank and in hand		5,736,363	5,371,251
		<u>6,460,871</u>	<u>5,635,939</u>
Creditors: amounts falling due within one year	9	<u>(1,887,366)</u>	<u>(1,774,466)</u>
Net current assets		<u>4,573,505</u>	<u>3,861,473</u>
 Total assets less current liabilities		 <u>25,425,491</u>	 <u>24,134,490</u>
 Creditors: amounts falling due after more than one year	10	 <u>(15,963,767)</u>	 <u>(15,865,582)</u>
Net Assets		<u>9,461,724</u>	<u>8,268,908</u>
 Capital and Reserves			
Share capital	11	240	397
Designated reserves	5	1,392,101	1,413,463
Revenue reserves	6	8,069,383	6,855,048
	20	<u>9,461,724</u>	<u>8,268,908</u>

These financial statements were approved by the Management Committee and authorised for issue on 20/08/2014 and signed on their behalf by:

Committee Member: 

Committee Member: 

Secretary: 

PARAGON HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR TO 31 March 2014

	Notes	2014	2013
		£	£
Net cash inflow from operating activities	15(a)	<u>1,386,022</u>	<u>2,247,391</u>
Returns on investment and servicing of finance			
Interest received		53,481	36,344
Interest paid		<u>(377,773)</u>	<u>(618,700)</u>
Net cash (outflow) from returns on investments and servicing of finance		<u>(324,292)</u>	<u>(582,356)</u>
Capital Expenditure & Financial Investments			
Purchase and development of housing properties	7	(1,255,700)	(973,606)
Proceeds from sale of properties		399,770	287,640
Payments to acquire other tangible fixed assets		(792)	(6,783)
Capital Grants received		-	184,726
Net cash (outflow) from Capital Expenditures & Financial Investments		<u>(856,722)</u>	<u>(508,023)</u>
Net cash inflow before financing		<u>205,008</u>	<u>1,157,012</u>
Financing			
Loan principal repayments		(839,904)	(720,011)
New Loan Drawdowns		1,000,000	-
Shares issued	11	8	11
Net cash inflow /(outflow) from financing		<u>160,104</u>	<u>(720,000)</u>
Increase in cash and cash equivalents	15(b)	<u><u>365,112</u></u>	<u><u>437,012</u></u>

Further information is given in note 15.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

1. Accounting Policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs (b) to (m) below. The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by The Financial Conduct Authority. The accounts have been prepared under the historical cost convention, and in compliance with Determination of Accounting Requirements April 2012 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Housing Providers, Update "2010", and applicable accounting standards.

(b) Going Concern

In June 2013 the Association made the final drawdown of £1m from the additional £5m of funding arranged with the Co-operative Bank in 2010/11. This funding was put in place to finance development activities, mortgage to rent activities and stock investment. The Association has been informed that the Co-operative Bank is reducing its involvement in the RSL sector and had already started to consider refinancing and is confident that appropriate arrangements to refinance will be agreed within the next 2 years.

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. The Association still continues to hold significant unencumbered assets. The organisation remains financially stable going forward albeit the Welfare Benefit Reforms bring new challenges. 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 7 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 2014

(f) **Fixed assets - Housing land and buildings (note 7)**

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.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

(g) Depreciation

(i) Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Grants are released over the useful life to match the components that the grant relates to.

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 60 years
Roof	Over 60 years
Cent Heat - Boiler	Over 15 years
Cent Heat - System	Over 25 years
Doors	Over 25 years
Windows	Over 35 years
Kitchens	Over 20 years
Sanitaryware	Over 30 years

Each component has a substantially different economic life and is depreciated over this individual life as per the depreciation rates shown above. This accounting policy is compliant with the RSL SORP 2010.

(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.

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

- 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
- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the 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.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

(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 pension liability

The Association has set aside an amount based on the current requirement to pay an annual sum towards the Past Service Deficit of the pension scheme. This is based on a projected 13 year figure, adjusted annually by The Pensions Trust. The designated reserve will be reviewed annually by the Association.

(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 the income and expenditure account on a straight-line basis over the lease term.

(l) **Pensions**

The Association participates in the centralised multi-employer Scottish Housing Associations' 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.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

(m) **Housing Association Grants**

Housing Association Grants (HAG) are utilised to reduce the amount of mortgage loan in respect of approved schemes. The amount of HAG is calculated on the qualifying costs (note 1f) of the scheme in accordance with instructions issued from time to time. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

2. **Particulars of turnover, operating costs and operating surplus and surplus before taxation by class of business**

	Turnover	Operating Costs	Operating Surplus	2013 Total
	£	£	£	£
Social lettings (Note 3a)	5,295,945	(4,056,108)	1,239,837	1,658,850
Other activities (Note 3b)	67,878	(59,182)	8,696	7,776
2014 Total	<u>5,363,823</u>	<u>(4,115,290)</u>	<u>1,248,533</u>	<u>1,666,626</u>
2013 Total	<u>4,912,240</u>	<u>(3,245,614)</u>	<u>1,666,626</u>	

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

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

	General Needs Housing £	Supported Housing Accommodation £	2014 Total £	2013 Total £
Income from lettings				
Rents receivable net of service charges	4,877,734	62,910	4,940,644	4,781,364
Less: Rent Losses from Voids	(40,171)	(26)	(40,197)	(20,743)
Net Rents receivable	<u>4,837,563</u>	<u>62,884</u>	<u>4,900,447</u>	<u>4,760,621</u>
Other revenue grants	295,726	-	295,726	34,321
Grants from Scottish Ministers	99,772	-	99,772	60,886
Total Income from Lettings	<u>5,233,061</u>	<u>62,884</u>	<u>5,295,945</u>	<u>4,855,828</u>
Expenditure on Letting Activities				
Management and maintenance administration costs	1,370,614	16,471	1,387,085	1,342,974
Reactive maintenance costs	778,319	15,029	793,348	711,971
Bad debts - rent and service charges	44,602	-	44,602	35,241
Planned and cyclical maintenance including major repair expenditure	1,284,589	-	1,284,589	583,226
Depreciation of social housing	539,013	7,471	546,484	523,566
Total Expenditure on Lettings	<u>4,017,137</u>	<u>38,971</u>	<u>4,056,108</u>	<u>3,196,978</u>
Operating Surplus on Letting Activities 2014	<u>1,215,924</u>	<u>23,913</u>	<u>1,239,837</u>	<u>1,658,850</u>
Operating Surplus on Letting Activities 2013	<u>1,636,243</u>	<u>22,607</u>	<u>1,658,850</u>	

Of the £2,221k Major Repairs spent in the year, £1,256k was capitalised for component replacement and £965k expensed, (2013 was £829k spent with £498k capitalised and £331k expensed).

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

3 (b) Particulars of turnover, operating costs and operating surplus 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	2014 Operating Surplus	2013 Operating Surplus
	£	£	£	£	£	£	£	£	£	£
Wider role activities	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	58,678	58,678	(2,417)	(52,825)	(55,242)	3,436	-
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	-	-	-	9,200	9,200	(1,665)	(2,275)	(3,940)	5,260	-
Total from other activities	-	-	-	67,878	67,878	(4,082)	(55,100)	(59,182)	8,696	7,776
Total from other activities - 2013	-	-	-	56,412	56,412	(792)	(47,844)	(48,636)	7,776	-

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

4.	Interest payable	2014	2013
		£	£
	Loan Interest	375,568	609,921
	Non Utilisation Interest	<u>2,205</u>	<u>8,779</u>
	Total	<u>377,773</u>	<u>618,700</u>

5 Designated Reserves

	1 April 2013	Transfer In	Transfer Out	31 March 2014
	£	£	£	£
Pension Liability Reserve	1,413,463	-	(21,362)	1,392,101
Designated Reserve as at 31 March 2014	<u>1,413,463</u>	<u>-</u>	<u>(21,362)</u>	<u>1,392,101</u>

No restrictions are placed upon this reserve, but the committee has designated its use for specific purposes in respect of pension liability. The funds transferred out will be held in the general reserves. As detailed in the accounting policy, The Association has set aside an amount based on the current requirement to pay an annual sum towards the Past Service Deficit of the pension scheme. This is based on a projected 13 year figure, adjusted annually by The Pensions Trust.

6. Revenue Reserve

	2014	2013
	£	£
As at 1 April 2013	6,855,048	6,740,895
Surplus for the year	1,192,973	1,287,616
Transfer (from)/ to Designated Reserves (Note 5)	<u>21,362</u>	<u>(1,173,463)</u>
Revenue Reserve as at 31 March 2014	<u>8,069,383</u>	<u>6,855,048</u>

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

7. Tangible Fixed Assets

	Housing Properties Held for Letting	Total	Office Property	Furniture, Fittings & Equipment	Total
Cost	£	£	£	£	£
At 1 April 2013	27,865,475	27,865,475	626,985	95,659	28,589,119
Additions during year	1,255,700	1,255,700	-	792	1,256,492
Disposals in year	(165,172)	(165,172)	-	-	(165,172)
At 31 March 2014	28,956,003	28,956,003	626,985	96,452	29,679,439
Grants Received					
At 1 April 2013	(4,185,134)	(4,185,134)	-	-	(4,185,134)
Received during the year	-	-	-	-	-
At 31 March 2014	(4,185,134)	(4,185,134)	-	-	(4,185,134)
Depreciation					
At 1 April 2013	(3,930,170)	(3,930,170)	(118,234)	(81,564)	(4,129,968)
Charge for the year	(523,179)	(523,179)	(12,540)	(10,765)	(546,484)
Disposals	34,133	34,133	-	-	34,133
At 31 March 2014	(4,419,217)	(4,419,217)	(130,774)	(92,329)	(4,642,320)
Net Book Value					
At 31 March 2014	20,351,652	20,351,652	496,211	4,123	20,851,985
At 31 March 2013	19,750,171	19,750,171	508,751	14,095	20,273,017

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

Development administration costs capitalised amounted to £nil (2013: £nil).

Interest of £nil (2013: £nil) has been included in the cost of housing properties.

Included within Grants Received at cost at 31 March 2014 is £2,452,321 (2013: £2,452,321) for properties acquired under the Mortgage to Rent scheme with £nil (2013: £184,726) being received in the year.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

7a. Gain on Disposal of Fixed Assets

Right To Buy sale proceeds amounted to £399,770 (2013 £287,640). The cost of these properties and other components disposed of in the year resulted in a gain on disposal of £268,731. (2013: £203,346). No grants were attributable to these properties.

8. Debtors	2014	2013
	£	£
Amounts falling due within one year:		
Gross rents in arrears	338,743	188,079
Less bad debt provision	(108,290)	(93,826)
	<u>230,453</u>	<u>94,253</u>
Grants receivable	325,548	1,183
Other debtors	58,411	57,356
Prepayments	110,096	111,896
	<u>724,508</u>	<u>264,688</u>

9. Creditors due within one year	2014	2013
	£	£
Loans (Note 10)	869,942	808,031
Prepaid rent & Owner Occupier prepayments	125,622	174,181
Trade Creditors	582,865	144,062
Other Creditors	109,720	97,300
Grants in advance	3,674	-
Accruals	195,540	533,684
Other Tax & Social Security	-	17,208
	<u>1,887,366</u>	<u>1,774,466</u>

10. Creditors due outwith one year	2014	2013
	£	£
Loans	15,963,767	15,865,582
	<u>15,963,767</u>	<u>15,865,582</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest from 1.27% to 3.48% in instalments.

Less than one year (Note 9)	869,942	808,031
Between one and two years	969,644	826,596
Between two and five years	2,872,202	2,730,549
In five years or more	12,121,922	12,308,437
	<u>16,833,710</u>	<u>16,673,613</u>

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

11. Share Capital	2014	2013
	£	£
Shares of £1 fully paid and issued at 1 April 2013	397	402
Shares issued during year	8	11
Shares cancelled during year	<u>(165)</u>	<u>(16)</u>
Shares issued at 31 March 2014	<u>240</u>	<u>397</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 2014

12. Employees

	2014	2013
	£	£
Wages and salaries	684,024	697,423
Social security costs	57,430	53,328
Other pension costs	133,888	132,184
Agency costs	<u>168,847</u>	<u>125,289</u>
	1,044,189	1,008,224

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

	No.	No.
Housing Management	11	10
Property and Regeneration	5	4
Administrative	<u>7</u>	<u>7</u>
	23	21

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.

	2014	2013
	£	£
Emoluments payable to Director (incl. Pension contributions & Benefits in Kind)	72,492	69,095
Emoluments payable to highest paid Director (excluding Pension contributions)	66,142	63,043
Total expenses reimbursed to directors in so far as not chargeable to UK income tax	31	-

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 £6,350 (2013: £6,052)

No member of the Committee of Management received any emoluments in respect of their services to the Association. (2013: £nil).

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

13. 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.

The Scheme is a multi-employer defined benefit scheme.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted-in.
- Defined Contribution (DC) option

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

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 full agreed valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

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

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

13. Pension Fund (continued)

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

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

Contingent Liability

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 2013. As of this date the estimated employer debt for Paragon Housing Association was £2,842,384.90.

Paragon Housing Association have been noted by the Pensions Trust of the SHAPS scheme that past service deficit contributions payable for the year to 31 March 2015 is £117,938 and that further amounts may be payable for the following 12 years increasing at 3% per annum.

Paragon Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit option for active members at 1st April 2013.

During the accounting period Paragon Housing Association paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 15 active members of the Scheme employed by Paragon Housing Association. The annual pensionable payroll in respect of these members was £546,917.

Paragon Housing Association continues to offer membership of the Scheme to its employees.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

13. Pension Fund (continued)

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

2012 Valuation Assumptions	% p.a.
Investment return pre retirement	5.3
Investment return post retirement - Non-pensioners	3.4
Investment return post retirement - Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

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

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4
	10.4

Additional deficit contributions are payable from 1 April 2014 and will be increasing by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

	2014	2013
	£	£
14. Auditors' Remuneration		
The remuneration of the auditors (including expenses and including VAT for the year)	<u>13,853</u>	<u>13,304</u>

15. Notes to the Cash Flow Statement

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

	2014	2013
	£	£
Operating Surplus for year	1,248,533	1,666,626
Depreciation (Note 7)	546,484	523,566
Shares Cancelled (Note 11)	(165)	(16)
(Increase)/Decrease in debtors	(459,820)	28,980
Increase in creditors	50,990	28,235
Net cash inflow from operating activities	<u>1,386,022</u>	<u>2,247,391</u>

	2014	2013
	£	£

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

Increase in cash for the year	365,112	437,012
New Loan Draw Down	(1,000,000)	-
Loan repayments	<u>839,904</u>	<u>720,011</u>
Change in net debt	205,016	1,157,023
Net debt as at 1 April 2013	<u>(11,302,363)</u>	<u>(12,459,385)</u>
Net debt as at 31 March 2014	<u>(11,097,347)</u>	<u>(11,302,363)</u>

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

15. Notes to the Cash Flow Statement (continued)

(c) Analysis of Changes in net debt

	As at 01 April 2013 £	Cash Flow £	Other Changes £	As at 31 March 2014 £
Cash at bank and in hand	5,371,251	365,112	-	5,736,363
Debt due within one year	(808,031)	808,031	(869,942)	(869,942)
Debt due after one year	<u>(15,865,583)</u>	-	<u>(98,185)</u>	<u>(15,963,768)</u>
	<u>(11,302,363)</u>	<u>1,173,143</u>	<u>(968,127)</u>	<u>(11,097,347)</u>

16. Capital Commitments	2014 £	2013 £
Expenditure authorised by the committee of management contracted less certified	<u>Nil</u>	<u>Nil</u>

17. Housing Stock

The number of units in Management at 31 March 2014 was as follows:

	2014 No.	2013 No.
Supported	20	20
General Needs	<u>1,380</u>	<u>1,390</u>
Total	<u>1,400</u>	<u>1,410</u>
Average Annual Rent	£3,504	£3,374

18. Leasing Commitments

At 31 March 2014 the Association had annual commitments under non-cancellable operating leases as detailed below:

	2014 £	2013 £
Operating leases which expire:		
Within one year	-	5,622
Within two to five years	<u>26,898</u>	<u>40,557</u>
	<u>26,898</u>	<u>46,179</u>

Lease Commitments paid during 2013/14 was £33,092 (2012/13: £28,155).

PARAGON HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2014

19. Related Party Transactions

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

Flora Wallace
Jean Murray
Elisabeth Campbell
Iris Abercrombie
Michael Hesketh
Louisa Hesketh
Moira Calder

Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage. Four members (Tina Murphy, Kenneth Earle, Joan Paterson and Christine Simpson) of the Committee were 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.

20. Reconciliation of Funds

	2014	2013
	£	£
At 1 April 2013	8,268,908	6,981,299
Surplus for year	1,192,973	1,287,614
New Shares Issued	8	11
Shares Cancelled	(165)	(16)
At 31 March 2014	<u>9,461,724</u>	<u>8,268,908</u>