

**PARAGON HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2015**

**Registered Housing Association No. 298**  
**Financial Conduct Authority No. 2521R (S)**  
**Charity No. SCO36262**

# PARAGON HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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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 2015

Michael Hesketh	Chairperson
Flora Wallace	Joint Vice Chairperson
Helen Forrest	Joint Vice Chairperson
Susan Robertson	Treasurer
Jean Murray	
Elisabeth Campbell	
Iris Abercrombie	
Andrew Simpson	Resigned October 2014
Kenneth Earle	
Louisa Hesketh	
Moira Calder	
Baillie Joan Paterson	Co-opted March 2015
Provost Tina Murphy	Representing Clackmannanshire Council
Cllr Christine Simpson	Representing Stirling Council

Note: Falkirk Council carried out a review of representation on outside bodies and since February 2015 the Council is no longer making appointments to organisations that are not of strategic significance. Following this Baillie Joan Paterson was co-opted to the Management Committee in an individual capacity.

### Executive Officers

Margaret Torrance	Director
Linda Banks	Finance and Investment Manager
Sheelagh Norris	Housing Manager
William Baxter	Programme and Regeneration 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 2015

The Management Committee presents their report and audited financial statements for the year ended 31 March 2015.

### **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. The post of Chairperson passed from Flora Wallace to Michael Hesketh during the year as part of the succession planning process. Both hold the nationally recognized SVQ "Governance of Scottish Housing Associations" qualification. Flora Wallace's skills and experience were retained through her appointment to Vice Chair.

The Management Committee appraisal policy was reviewed during the year. Employers in Voluntary Housing delivered an appraisal training session to members and provided coaching to those members responsible for carrying out the appraisals.

The external audit service was subject to tender by advertising on Public Contracts Scotland web site. Baker Tilly UK Audit LLP was appointed following a cost/quality evaluation and on a motion to the Annual General Meeting in September 2014.

### **Principal Activity**

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

### **Review of Operations**

The number of housing units remained stable at 1400 as at March 2015 (1400 as at March 2014) however there were 3 Right to Buy sales and 3 Mortgage to Rent acquisitions during the period.

The Association continued to follow the Welfare Reform agenda taking part in local discussions with the Department of Work and Pensions, local authorities and other relevant agencies. Several staff training and information sessions were held. The roll out of Universal Credit has now started across the three local authorities where the Association operates. A cross departmental internal working group continues to meet on a regular basis to plan and implement the Association's response to welfare reform.

Following the award of funding from the Big Lottery the Paragon Advice and Support Project (PASAP) HEADS UP was set up employing two full time members of staff from May 2014 to deliver welfare, money and debt advice directly to Association tenants. From initial set up to the end of the financial year 2014/15 the Project assisted 166 tenants and the estimated net financial gain to them was £122k. The year end monitoring report was submitted to the Big Lottery and was found to be satisfactory, an independent quality audit of advice provided established that the project is operating successfully and the feedback from users of the service has been excellent.

# PARAGON HOUSING ASSOCIATION LIMITED

## REPORT OF MANAGEMENT COMMITTEE

31 March 2015

The Association also successfully attracted grant funding of £10k for a pilot recycling/environmental improvement programme in Grangemouth. Works included the reconfiguration of back court areas, the creation of garden areas for ground floor flats and the provision of recycling facilities for bulky items. Feedback from the tenants involved has been positive and there are ongoing discussions on other possible measures.

In October 2014 the Association published its first Tenants Charter Report shaped by input from a Tenants Charter Group. The feedback on the report from users was positive.

Good progress continues to be made towards achieving the Scottish Housing Quality Standard with 90.57% of all properties fully compliant at the year end. There are two areas where the Association has made an application to the Scottish Housing Regulator for an abeyance. These are around energy efficiency and security.

The issues around energy efficiency affect a very small number of properties and are mainly related to access. In relation to security there are issues around installing door entry systems in flatted blocks with mixed ownership. The Association has developed a Door Entry Strategy which looks at barriers to participation in improvement works by owner occupiers and possible solutions. There is continuing consultation with tenants and owners on the provision of Door Entry Systems.

The Scottish Government's Energy Efficiency Standard for Social Housing (ESSH) requires to be achieved by 2020. The Association's stock is currently 64% compliant. Energy efficiency ratings for the Association's stock are reviewed on an annual basis by Energy Action Scotland.

Investment work planned for 2015/16 includes central heating (including abeyances), sanitary ware, electrical upgrades, energy efficiency measures, kitchens, roughcast and roofing works. The programme is subject to review following the refinancing exercise currently underway.

During 2014/15 the Association spent £2,114k on cyclical maintenance, reactive maintenance and property improvements including the installation of new energy efficient gas central heating of which £352k was capitalised as new components.

In 2014/15, 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. 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 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.

# PARAGON HOUSING ASSOCIATION LIMITED

## REPORT OF MANAGEMENT COMMITTEE

31 March 2015

### 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 £1.4m included central heating, energy efficiency measures, re-roofing, rendering and windows of which £352k was capitalised.

This has resulted in a surplus for the year of £1.27m. (2014 £1.2m)

### Future Developments

The Association is actively pursuing a refinancing of its loan portfolio and is undertaking a tender process during 2015/16. This is progressing well and new funders are expected to be appointed during the year.

The Association's current lender, the Co-operative Bank, have signaled their intention to focus on the needs of individuals and small and medium sized businesses. This means that the Association's loan portfolio held with the bank now falls outwith its core business focus.

We are in the final stages of delivering a partnership project with a large Scottish RSL which will result in 14 new units being provided.

Investment work planned for 2015/16 includes, central heating, sanitary ware, electrical upgrades, energy efficiency measures, kitchens, roughcast and roofing works and door entry systems.

A major kitchen replacement programme is planned for 2015/16 and tenants are being invited to become involved at early stage of the procurement process. This is to ensure the kitchen specification and contractor appointment arrangements are designed to incorporate tenants' requirements.

### 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.

# PARAGON HOUSING ASSOCIATION LIMITED

## REPORT OF MANAGEMENT COMMITTEE

31 March 2015

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 £2.8m & revenue spend of £2.2m).

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 12 years. As there is no definitive statement as to the appropriate level of transfer to designated reserves this is currently 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 12 years has a NPV of £1.33m. 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.

### **Treasury management**

The Association, as a matter of policy, does not enter into transactions of a speculative nature. The Association's loans as at 31 March 2015 were all held at variable rate. New financing opportunities will allow a review of the proportion of fixed to variable rates going forward depending on market conditions.

The Treasury Management Strategy was reviewed by the Management Committee in January 2015.

### **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 Fraud and Bribery Policy and associated procedures were reviewed in March 2015.

A programme of internal audit is in place. During 2014/15 the following areas were included in the internal audit programme;

- Reactive Maintenance
- Anti Social Behaviour
- Value for Money
- Risk Management
- Finance
- Allocations
- Rent Arrears
- Voids

# PARAGON HOUSING ASSOCIATION LIMITED

## REPORT OF MANAGEMENT COMMITTEE

31 March 2015

There were no priority recommendations as part of the process.

The Association is a member of the Housing Associations Internal Audit Forum (HAI AF). In February the Audit Committee carried out a review of the current arrangements for internal audit and the performance of the current service provider using HAI AF guidance.

### **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.

### **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 2015/16 is 2.9% however a small 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 3.5% for 2014/15.

### **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.



# PARAGON HOUSING ASSOCIATION LIMITED

## REPORT OF MANAGEMENT COMMITTEE

31 March 2015

### **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. The Chair of the H&S Sub Committee attended a session aimed at governing body members. There are regular briefings on health safety topics and the Sub Committee updated its local staff guide to health and safety. This is a very valuable supplement to the full health and safety manual.

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. A number of events were held during the year to raise awareness of health and safety issues and in addition staff and committee members used some of these events as opportunities to raise funds for good causes.

### **Changes in fixed assets**

Changes in fixed assets are set out in note 7.

### **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. A new appraisal process was successfully implemented in the year and a feedback report on the outcomes as provided to the Management Committee. From this an internal finance training course has been developed and the first session was held in April 2015.

New members are elected at the Association’s AGM and an induction session is held with them.

# PARAGON HOUSING ASSOCIATION LIMITED

## REPORT OF MANAGEMENT COMMITTEE

31 March 2015

### Internal Financial Control (page 11)

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 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 15. The surplus for the year of £1,268,342 (2014: £1,192,973) has been dealt with as follows:

	2015 £	2014 £
Surplus for the year	1,268,342	1,192,973
Transfer (to)/from designated reserves (Note 5)	62,826	21,362
	<hr/>	<hr/>
Net movement in revenue reserve	1,331,168	1,214,335

**PARAGON HOUSING ASSOCIATION LIMITED**

**REPORT OF MANAGEMENT COMMITTEE**

**31 March 2015**

**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 was reappointed.

On behalf of the Management Committee

Date:

19/3/15

 Secretary

# PARAGON HOUSING ASSOCIATION LIMITED

## STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation 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 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

Date:

19/8/15

 Secretary

# PARAGON HOUSING ASSOCIATION LIMITED

## MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL

31 MARCH 2015

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 2015. 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.

Management

By order of the Committee of

Date:  
Secretary

17/03/15

 11

# PARAGON HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARAGON HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROLS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 10 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

### **Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 11 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP

Statutory Auditor  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date: 20/8/15

# 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 2015 on pages 18 to 35. 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 10, 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 2015 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  
Chartered Accountants  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

Date: 20/8/15



# PARAGON HOUSING ASSOCIATION LIMITED

## INCOME & EXPENDITURE

AS AT 31 March 2015

	Notes	2015 £	2014 £
<b>Turnover</b>	<b>2</b>	6,786,852	5,363,823
Less: Operating costs	2	<u>(5,242,766)</u>	<u>(4,115,290)</u>
<b>Operating surplus</b>	<b>2</b>	1,544,086	1,248,533
Gain on disposal of fixed assets	7a	52,000	268,731
Interest receivable and other income		42,015	53,482
Interest payable and similar charges	4	<u>(369,759)</u>	<u>(377,773)</u>
<b>Surplus for the year</b>	<b>6</b>	<u>1,268,342</u>	<u>1,192,973</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 2015**

	Notes	2015	2014
		£	£
<b>Tangible Fixed Assets</b>			
Housing properties – depreciated cost	7	24,500,148	24,536,786
Less: HAG and other capital grants	7	(4,267,994)	(4,185,134)
		<hr/>	<hr/>
		20,232,154	20,351,652
Other Fixed Assets	7	485,775	500,334
		<hr/>	<hr/>
		20,717,929	20,851,986
<b>Current Assets</b>			
Debtors	8	407,758	724,508
Cash at bank and in hand		6,798,745	5,736,363
		<hr/>	<hr/>
		7,206,503	6,460,871
<b>Creditors: amounts falling due within one year</b>	9	(2,200,255)	(1,887,366)
		<hr/>	<hr/>
<b>Net current assets</b>		5,006,248	4,573,505
<b>Total assets less current liabilities</b>		25,724,177	25,425,491
<b>Creditors: amounts falling due after more than one year</b>	10	(14,994,124)	(15,963,767)
		<hr/>	<hr/>
<b>Net Assets</b>		10,730,053	9,461,724
<b>Capital and Reserves</b>			
Share capital	11	227	240
Designated reserves	5	1,329,275	1,392,101
Revenue reserves	6	9,400,551	8,069,383
		<hr/>	<hr/>
	20	10,730,053	9,461,724
		<hr/>	<hr/>

These financial statements were approved by the Management Committee and authorised for issue on 19th August 2015 and signed on their behalf by:

Committee Member:  .....

Committee Member: S Robertson .....

Secretary:  .....

**PARAGON HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

**YEAR TO 31 March 2015**

	Notes	2015	2014
		£	£
<b>Net cash inflow from operating activities</b>	<b>15(a)</b>	<u>2,652,857</u>	<u>1,386,022</u>
<b>Returns on investment and servicing of finance</b>			
Interest received		42,015	53,481
Interest paid		<u>(369,759)</u>	<u>(377,773)</u>
<b>Net cash (outflow) from returns on investments and servicing of finance</b>		<u>(327,744)</u>	<u>(324,292)</u>
<b>Capital Expenditure &amp; Financial Investments</b>			
Purchase and development of housing properties	7	(574,387)	(1,255,700)
Proceeds from sale of properties		101,342	399,770
Payments to acquire other tangible fixed assets		(2,614)	(792)
Capital Grants received		82,860	-
<b>Net cash (outflow) from Capital Expenditures &amp; Financial Investments</b>		<u>(392,799)</u>	<u>(856,722)</u>
<b>Net cash inflow before financing</b>		<u>1,932,314</u>	<u>205,008</u>
<b>Financing</b>			
Loan principal repayments		(869,941)	(839,904)
New Loan Drawdowns		-	1,000,000
Shares issued	11	9	8
<b>Net cash inflow /(outflow) from financing</b>		<u>(869,932)</u>	<u>160,104</u>
<b>Increase in cash and cash equivalents</b>	<b>15(b)</b>	<u><u>1,062,382</u></u>	<u><u>365,112</u></u>

Further information is given in note 15.

# PARAGON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2015

### 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. A refinancing tender process is well underway and the Association anticipates a new facility will be in place by the end of the financial year. The Co-operative Bank have confirmed funding will not be withdrawn until a new facility is in place.

With this injection of capital, the investment programme can continue to successfully maintain the stock to Scottish Housing Quality Standard, make progress towards meeting the Energy Efficiency Standard for Social Housing and ensure 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 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 2015

(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 2015

### (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.

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.

#### (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.

# PARAGON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2015

(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 12.5 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.

(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 2015

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

	Turnover	Operating Costs	Operating Surplus	2014 Total
	£	£	£	£
Social lettings (Note 3a)	5,196,045	(3,709,244)	1,486,801	1,239,837
Other activities (Note 3b)	1,590,807	(1,533,522)	57,285	8,696
<b>2015 Total</b>	<b>6,786,852</b>	<b>(5,242,766)</b>	<b>1,544,086</b>	<b>1,248,533</b>
<b>2014 Total</b>	<b>5,363,823</b>	<b>(4,115,290)</b>	<b>1,248,533</b>	



**PARAGON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 March 2015**

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

	<b>General Needs Housing £</b>	<b>Supported Housing Accommodation £</b>	<b>2015 Total £</b>	<b>2014 Total £</b>
<b>Income from lettings</b>				
Rents receivable net of service charges	5,048,968	65,112	<b>5,114,080</b>	4,940,644
<b>Less: Rent Losses from Voids</b>	(63,241)	-	<b>(63,241)</b>	(40,197)
<b>Net Rents receivable</b>	<u>4,985,727</u>	<u>65,112</u>	<b>5,050,839</b>	4,900,447
Other revenue grants	52,572	-	<b>52,572</b>	295,726
Grants from Scottish Ministers	92,634	-	<b>92,634</b>	99,772
<b>Total Income from Lettings</b>	<u>5,130,933</u>	<u>65,112</u>	<b>5,196,045</b>	<u>5,295,945</u>
<b>Expenditure on Letting Activities</b>				
Management and maintenance administration costs	1,397,044	18,071	<b>1,415,115</b>	1,387,085
Reactive maintenance costs	743,164	14,671	<b>757,835</b>	793,348
Bad debts – rent and service charges	60,226	-	<b>60,226</b>	44,602
Planned and cyclical maintenance including major repair expenditure	914,383	-	<b>914,383</b>	1,284,589
Depreciation of social housing	553,656	8,029	<b>561,685</b>	546,484
<b>Total Expenditure on Lettings</b>	<u>3,668,473</u>	<u>40,771</u>	<b>3,709,244</b>	<u>4,056,108</u>
<b>Operating Surplus on Letting Activities 2015</b>	<u><b>1,462,460</b></u>	<u><b>24,341</b></u>	<u><b>1,486,801</b></u>	<u>1,239,837</u>
<b>Operating Surplus on Letting Activities 2014</b>	<u><b>1,215,924</b></u>	<u><b>23,913</b></u>	<u><b>1,239,837</b></u>	

Of the £1,072k Major Repairs spent in the year, £351k was capitalised for component replacement and £721k expensed, (2014 was £2,221k spent with £1,256k capitalised and £965k expensed).

# PARAGON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2015

### 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	2015 Operating Surplus	2014 Operating Surplus
	£	£	£	£	£	£	£	£	£	£
Wider role activities - Big Lottery Project	-	79,916	-	-	79,916	-	(77,112)	(77,112)	2,804	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	26,661	26,661	2,150	(21,134)	(18,984)	7,677	3,436
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency management services – RSLs	-	-	-	-	-	-	-	-	-	-
Other agency/management services (Heeps)	-	1,456,492	-	-	1,456,492	-	(1,408,895)	(1,408,895)	47,597	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Other activities –insurance and tenant recharges	-	-	-	27,738	27,738	(6,261)	(22,270)	(28,531)	(793)	5,260
<b>Total from other activities</b>	-	1,536,408	-	54,399	1,590,807	(4,111)	(1,529,411)	(1,533,522)	57,285	8,696
<b>Total from other activities - 2014</b>	-	-	-	67,878	67,878	(4,082)	(55,100)	(59,182)	8,696	-

**PARAGON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 March 2015**

**4. Interest payable**

	<b>2015</b>	<b>2014</b>
	£	£
Loan Interest	369,759	375,568
Non Utilisation Interest	<u>-</u>	<u>2,205</u>
<b>Total</b>	<b><u>369,759</u></b>	<b><u>377,773</u></b>

**5. Designated Reserves**

	<b>1 April 2014</b>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>31 March 2015</b>
	£	£	£	£
Pension Liability Reserve	1,392,101	-	(62,826)	1,329,275
Designated Reserve as at 31 March 2015	<u>1,392,101</u>	<u>-</u>	<u>(62,826)</u>	<u>1,329,275</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 and represent repayments made during the year alongside annual adjustments made by the Pensions Trust for future repayments. 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 12.5 year figure, adjusted annually by The Pensions Trust.

**6. Revenue Reserve**

	<b>2015</b>	<b>2014</b>
	£	£
As at 1 April 2014	8,069,383	6,855,048
Surplus for the year	1,268,342	1,192,973
Transfer from/ (to) Designated Reserves (Note 5)	<u>62,826</u>	<u>21,362</u>
<b>Revenue Reserve as at 31 March 2015</b>	<b><u>9,400,551</u></b>	<b><u>8,069,383</u></b>

**PARAGON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 March 2015**

**7. Tangible Fixed Assets**

	<b>Housing Properties Held for Letting</b>	<b>Total</b>	<b>Office Property</b>	<b>Furniture, Fittings &amp; Equipment</b>	<b>Total</b>
<b>Cost</b>	£	£	£	£	£
At 1 April 2014	28,956,003	<b>28,956,003</b>	626,985	96,452	<b>29,679,440</b>
Additions during year	574,387	<b>574,387</b>	-	2,614	<b>577,001</b>
Disposals in year	(66,476)	<b>(66,476)</b>	-	-	<b>(66,476)</b>
<b>At 31 March 2015</b>	<b>29,463,914</b>	<b>29,463,914</b>	626,985	99,066	<b>30,189,965</b>
<b>Grants Received</b>					
At 1 April 2014	(4,185,134)	<b>(4,185,134)</b>	-	-	<b>(4,185,134)</b>
Received during the year	(82,860)	<b>(82,860)</b>	-	-	<b>(82,860)</b>
<b>At 31 March 2015</b>	<b>(4,267,994)</b>	<b>(4,267,994)</b>	-	-	<b>(4,267,994)</b>
<b>Depreciation</b>					
At 1 April 2014	(4,419,217)	<b>(4,419,217)</b>	(130,774)	(92,329)	<b>(4,642,320)</b>
Charge for the year	(561,683)	<b>(561,683)</b>	(12,538)	(4,635)	<b>(578,856)</b>
Disposals	17,134	<b>17,134</b>	-	-	<b>17,134</b>
<b>At 31 March 2015</b>	<b>(4,963,766)</b>	<b>(4,963,766)</b>	(143,312)	(96,964)	<b>(5,204,042)</b>
<b>Net Book Value</b>					
At 31 March 2015	20,232,154	<b>20,232,154</b>	483,673	2,102	<b>20,717,929</b>
At 31 March 2014	20,351,652	<b>20,351,652</b>	496,211	4,123	<b>20,851,986</b>

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

Development administration costs capitalised amounted to £nil (2014: £nil).

Interest of £nil (2014: £nil) has been included in the cost of housing properties.

Included within Grants Received at cost at 31 March 2015 is £2,535,181 (2014: £2,452,321) for properties acquired under the Mortgage to Rent scheme with £82,860 (2014: £nil) being received in the year.

# PARAGON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2015

**7a. Gain on Disposal of Fixed Assets**

Right To Buy sale proceeds amounted to £101,342 (2014 £399,770). The cost of these properties and other components disposed of in the year resulted in a gain on disposal of £52,000. (2014: £268,731). No grants were attributable to these properties.

<b>8. Debtors</b>	<b>2015</b>	<b>2014</b>
	£	£
Amounts falling due within one year:		
Gross rents in arrears	374,779	338,743
Less bad debt provision	(130,590)	(108,290)
	<u>244,189</u>	<u>230,453</u>
Grants receivable	28,734	325,548
Other debtors	25,038	58,411
Prepayments	109,797	110,096
	<u>407,758</u>	<u>724,508</u>

<b>9. Creditors due within one year</b>	<b>2015</b>	<b>2014</b>
	£	£
Loans (Note 10)	969,644	869,942
Prepaid rent & Owner Occupier prepayments	123,043	125,622
Trade Creditors	845,943	582,865
Other Creditors	113,466	109,720
Grants in advance	-	3,674
Accruals and Deferred Income	148,159	195,540
	<u>2,200,255</u>	<u>1,887,366</u>

<b>10. Creditors due outwith one year</b>	<b>2015</b>	<b>2014</b>
	£	£
Loans	14,994,124	15,963,767
	<u>14,994,124</u>	<u>15,963,767</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest from 1.28% to 3.48% in instalments.

Less than one year (Note 9)	969,644	869,942
Between one and two years	939,701	969,644
Between two and five years	2,926,043	2,872,202
In five years or more	11,128,380	12,121,922
	<u>15,963,768</u>	<u>16,833,710</u>

# PARAGON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2015

11. Share Capital	2015	2014
	£	£
Shares of £1 fully paid and issued at 1 April	240	397
Shares issued during year	9	8
Shares cancelled during year	<u>(22)</u>	<u>(165)</u>
Shares issued at 31 March	<u>227</u>	<u>240</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 2015

### 12. Employees

	2015	2014
	£	£
Wages and salaries	694,382	684,024
Social security costs	55,554	57,430
Other pension costs	187,604	133,888
Agency costs	<u>195,764</u>	<u>168,847</u>
	<u>1,133,304</u>	<u>1,044,189</u>

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

	No.	No.
Housing Management	13	11
Property and Regeneration	5	5
Administrative	<u>7</u>	<u>7</u>
	<u>25</u>	<u>23</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.

The Directors' emoluments (including pension contributions) fell within the following band distributions:

	2015	2014
	Number	Number
£60,001 - £70,000	1	-
£70,001 - £80,000	1	1
£80,001 - £90,000	-	-
£90,001 - £100,000	-	-

Emoluments payable to highest paid Director (excluding Pension contributions)	£	£
	<u>67,663</u>	<u>66,142</u>

Total expenses reimbursed to directors in so far as not chargeable to UK income tax		
	<u>362</u>	<u>31</u>

There is only one Director whose emoluments exceed £60k excluding pension. 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 contributes. The Association's contributions for the Director in the year amounted to £8,323 (2014: £6,350)

No member of the Committee of Management received any emoluments in respect of their services to the Association.(2014: £nil).

# PARAGON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2015

### 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 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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 2015

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 2014. As of this date the estimated employer debt for Paragon Housing Association was £3,858,675.

Paragon Housing Association have been notified by the Pensions Trust of the SHAPS scheme that past service deficit contributions payable for the year to 31 March 2016 is £121,355 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 2015.

During the accounting period Paragon Housing Association paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%.

As at the balance sheet date there were 16 active members of the Scheme employed by Paragon Housing Association. The annual pensionable payroll in respect of these members was £568,382. Pension contributions estimated for 2015/2016 is £74k.

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 2015

### 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
<b>Rate of pension increases</b>	
- 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	90% of S1PMA (males) and S1PFA (females) projected using CM 2011 with a long term improvement of 1.5% p.a. for males and 1.25% p.a. for females
Pensioners	44% of S1PMA (males) and S1PFA (females) projected using CM 2011 with a long term rate of improvement of 1.5% p.a. for males and 1.25% p.a. for females

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

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 2015**

	<b>2015</b>	<b>2014</b>
<b>14. Auditors' Remuneration</b>	<b>£</b>	<b>£</b>
The remuneration of the auditors (including expenses and including VAT for the year)	<u>13,853</u>	<u>13,853</u>

**15. Notes to the Cash Flow Statement**

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

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Operating Surplus for year	1,544,086	1,248,533
Depreciation (Note 7)	578,856	546,484
Shares Cancelled (Note 11)	(22)	(165)
Decrease/(Increase) in debtors	316,750	(459,820)
Increase in creditors	213,187	50,990
Net cash inflow from operating activities	<u>2,652,857</u>	<u>1,386,022</u>

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
(b) Reconciliation of net cash flow to movement in net debt		
Increase in cash for the year	1,062,382	365,112
New Loan Draw Down	-	(1,000,000)
Loan repayments	<u>869,941</u>	<u>839,904</u>
Change in net debt	1,932,323	205,016
Net debt as at 1 April 2014	<u>(11,097,346)</u>	<u>(11,302,363)</u>
Net debt as at 31 March 2015	<u>(9,165,023)</u>	<u>(11,097,347)</u>

**PARAGON HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 March 2015**

**15. Notes to the Cash Flow Statement (continued)**

(c) Analysis of Changes in net debt

	As at 01 April 2014 £	Cash Flow £	Other Changes £	As at 31 March 2015 £
Cash at bank and in hand	5,736,363	1,062,382	-	6,798,745
Debt due within one year	(869,942)	869,942	(969,644)	(969,644)
Debt due after one year	(15,963,767)	(1)	969,644	(14,994,124)
	(11,097,346)	1,932,323	-	(9,165,023)

	2015 £	2014 £
<b>16. Capital Commitments</b>		
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 2015 was as follows:

	2015 No.	2014 No.
Supported	20	20
General Needs	<u>1,380</u>	<u>1,380</u>
<b>Total</b>	<u>1,400</u>	<u>1,400</u>
Average Annual Rent	£3,640	£3,504

**18. Leasing Commitments**

At 31 March 2015 the Association had annual commitments under non-cancellable operating leases as detailed below:

	2015 £	Equipment 2014 £
Operating leases which expire:		
Within one year	-	-
Within two to five years	<u>27,286</u>	<u>26,898</u>
	<u>27,286</u>	<u>26,898</u>

Lease Commitments paid during 2014/15 was £27,189 (2013/14: £33,092).

# PARAGON HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 March 2015

### 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

	2015 £	2014 £
At 1 April 2014	9,461,724	8,268,908
Surplus for year	1,268,342	1,192,973
New Shares Issued	9	8
Shares Cancelled	(22)	(165)
	<hr/>	<hr/>
At 31 March 2015	<u>10,730,053</u>	<u>9,461,724</u>