

PARAGON HOUSING ASSOCIATION LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

Paragon Housing Association Limited

**Report and Financial Statements
For the year ended 31 March 2025**

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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 2010 Registered Number 298
Charity Number	SC 036262

Paragon Housing Association Limited

Management Committee, Executives and Advisers **For the year ended 31 March 2025**

Management Committee

Audrey Anderson	Chair
Flora Wallace	Deceased 14.05.2024
Susan Gilbert	Vice Chair (Joint)
June Anderson	Vice Chair (Joint)
Malcolm Richards	Treasurer
Elisabeth Campbell	
Elizabeth McNie	Resigned 12.02.2025
Kathleen Menzies	
Claire Munro	Resigned 05.06.2024
Barry Lees	
Michael Hesketh	Deceased 19.07.2024
Louise McNally	
John O'Meara	
Danny McLean	
David Boyack	Co-optee Resigned 14.11.2024

Executive Officers

Margaret Torrance	Director
Margaret Thompson	Finance & Investment Manager
William Baxter	Programme and Regeneration Manager
Evelyn Mathershaw	Housing Manager

Registered Office

Invergrange House
Station Road
Grangemouth
FK3 8DG

External Auditor

RSM UK Audit LLP
Third Floor,
2 Semple Street
Edinburgh
EH3 8BL

Internal Auditors

MHA Henderson Loggie
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

Bankers

Royal Bank of Scotland plc
Kirkstane House
139 St Vincent Street
Glasgow
G2 5JF

GB Social Housing plc
35 Great St Helen's Street
London
EC3A 6AP

Solicitors

Addleshaw Goddard LLP
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

Paragon Housing Association Limited

Report of the Management Committee For the year ended 31 March 2025

The Management Committee presents their report and audited financial statements for the year ended 31 March 2025.

Principal Activities

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

Objectives

The Association has set a Mission and Values for the organisation. These are supported by clear strategic and operational objectives. These have been developed by the Management Committee with input from staff and taking into consideration service user feedback.

Strategy for Achieving Objectives

The strategy for achieving these objectives is clearly articulated through a number of plans and strategies. Principally this is set out in the 30-year Business Plan and supported by the Internal Management Plan and other strategies.

Current Economic Situation

The current economic climate continues to be characterised by uncertainty at domestic and global level. Inflation has settled but remains above the Bank of England target rate of 2%. Interest rates have started to fall, not as quickly as predicted, but further cuts are anticipated.

On a positive note, there are a number of lenders active in the social housing sector which has enabled the Association to move forward with financial plans.

Jobbing Repair Works (JRW) & Gas Maintenance Contracts

A major area of essential activity for the Association is repair and maintenance, including gas works. The Association put in place new contracts for both at the start of 2024/25.

The JRW (repair) contract was procured through the Scottish Procurement Alliance Framework (SPA) with Everwarm appointed on a 3 year period with an option of a further 2 year contract period. The contract commenced 1st April 2024 with the option to run until March 2029.

The Gas Servicing & Reactive Works contract was procured through the Scotland Excel Framework (ScotExcel) on a similar basis, commencing 1st April 2024 with the option to run to March 2029.

Housing Management Services

There was a strong performance by the Housing Management Team during 2024/25. Rent arrears reduced from 5.79% to 4.76%. Void rent loss decreased from 1.08% to 0.84% and while there was a reduction in average relet days from 45.51 to 44.4 this remains above target.

Tenancy Sustainment & Support

HoME Tenancy Support Service

During 2024/25 the HoME tenancy support service provided by Link Living supported 41 Association tenancies with assistance ranging from help with making GP appointments, to help with clearing properties to accessing mobility aids. As part of effective reporting, HoME uses HACT's social impact measurement tool that allows them to map the impact of activities and the difference they have on the local economy in a monetary value. This is completed with tenants during their first and final visit. This year the figure has been calculated at £151, 852.

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2025

Tenancy Sustainment

The Association's Tenancy Management Team which includes a specialist Tenancy Sustainment Officer, worked with tenants throughout the year, advising on welfare benefits and other sources of support. During the course of the year they worked with 346 tenants with an estimated annual client financial gain in excess of £200,000.

Other support

Additional assistance was provided to 135 tenants through help with energy costs due to a £20,000 grant from Octopus Energy through a scheme managed by Energy Action Scotland. A further grant of £20,000 enabled a project with contractor Sureserve to provide the services of a dedicated Energy Advisor to deliver energy advice sessions to over 300 tenants together with training another member of staff. Other support was provided to tenants in the form of supermarket vouchers and vouchers for energy costs and energy efficient / saving items through the Charis shop platform. This has only been possible with the carryover of some funding from 2023/24.

Throughout the year the majority of new tenants were given some help with setting up their new home with items such as a supermarket voucher for £25, thermal curtains, winter weight duvets and air fryers.

Rent

Rents were increased by 3.9% from April 2025. A new Rent Policy was approved to take account of a new rent setting structure which was developed as part of a comprehensive review and detailed consultation with tenants. The new rent structure "harmonises" rents on the basis of property attributes as there were various rent levels in place which were based on a number of historical factors including the timing and method of acquisition of properties. The new structure is subject to phasing in over a number of years and the initial changes were made from 2025/26. The new structure has no impact on the total rent receivable.

Tenant/Owner Engagement

There is a well-established Tenant Scrutiny Panel (TSP) in place and members of the panel, Management Committee members and the Association's Housing Manager take an active part in the work of the national Tenant Information Service (TIS). The TSP has been involved in a number of projects including the review of the Anti Social Behaviour Policy and they are currently working on a Communication Preference project to meet the specific needs of tenants around communications.

There is an Owners' Group in place to provide a forum for input in matters that affect them.

The Association remains committed to collecting meaningful tenant feedback and continues to work with Knowledge Partnership who provide survey services to the Association on a rolling basis. In 2024/25. Performance remained steady with an overall satisfaction rate of 88.35% and repair satisfaction rates continued to improve with a rate of 83.06% from 78.99% the previous year.

HOUSING STOCK BREAKDOWN BY AREA AS AT 31st MARCH 2025

The number of housing units increased from 1450 to 1455 as at the end of March 2025.

LA Area	31/03/25	31/03/24
Falkirk	880	875
Clackmannanshire	416	416
Stirling	159	159
TOTALS	1455	1450

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2025

Performance

Performance Area	2024/25	2023/24
Rent collected as a percentage of total rent due in the reporting year	100.50%	98.04%
Gross tenant non-technical arrears as % of gross rental income	4.76%	5.79%
Average length of time to complete non-emergency repairs – measured in days	6.39 days	10.22 days
Average length of time taken to complete emergency repairs – measured in hours	1.13 hours	1.61 hours
Number of times statutory duty to complete a gas safety check not met	0	0
Percentage of rent lost through properties being empty during the last year	0.84%	1.08%
Number of void properties over 6 months at year end	0	0

Complaints Performance

Completed 2024/25	Upheld – fully or partially
Frontline Complaints	Number
110	58
Investigative Complaints	Number
53	32

Development and Performance

Financial Performance

The Association achieved an operating surplus for the year of £1,307k (2024 - £854k). The total comprehensive income for the year was a Surplus of £596k (2024 - £349k Deficit). This includes an actuarial loss in respect of the pension scheme of £14k (2024 - £383k) which has resulted in an increase of the pension liability of £8k. The increase in the pension liability has arisen due to changes in the underlying assumptions used to calculate the liability at the year end and does not reflect the amount that the Association contributes to the scheme.

Paragon Housing Association Limited

Report of the Management Committee (continued)

For the year ended 31 March 2025

The operating expenditure for the year was £6.1m (2024 - £6.2m). Included in these operating costs is expenditure on reactive, cyclical and planned maintenance. The Association spent £2.7m (2024-£3m) on these activities.

Rent arrears have decreased by £77k this year to £247k (2024 - £324k). The Tenancy Management Team have continued to work with tenants to achieve this.

Business plan

There is a 30 Year Business Plan in place which is subject to regular review to take account of changing economic conditions and new opportunities such as new housing developments.

BBOOM – Buy Back Open Market/ MTR – Mortgage to Rent Scheme

The successful BBOOM policy continued to operate within the Falkirk Council area, and it is supported by HAG funding. This policy allows the Association to acquire properties which achieve specific strategic aims such as meeting the Scottish Housing Quality Standard in multi tenure blocks or meeting a particular type of housing demand. During 2024/25 the purchase of 5 units was concluded. HAG funding has been secured for a further 10 units in 2025/26. To end March 2025, 42 properties have been acquired through the BBOOM Policy. There were no acquisitions under the Scottish Government's Mortgage to Rent Scheme during the year.

Investment and Development - Scottish Housing Standard (SHQS) & Energy Efficiency Standard Social Housing (EESH)

Stock Condition Survey

A full independent stock condition survey was commissioned in 2023/24. The report was received July 2024. As with the previous stock condition survey in 2021/22, there are no immediate or significant actions required as a result of the findings. The independent projections on life cycle and costs of components rates have been updated to reflect the current market and will be analysed over the coming months in line with Association's existing projections. The data from the existing Asset Management system will also be integrated to complement the results of the recent Stock Condition Survey.

A covenant relaxation had been agreed with the Royal Bank of Scotland that allowed an injection of expenditure around component replacement during 2024/25. Works have included

- Re-reroofing
- Boiler replacements
- Kitchen and bathroom replacements
- Planned maintenance works

Development

Despite cutbacks to the Affordable Housing Supply Programme (AHSP) by Scottish Government in the year, steady growth continues with two approved developments underway and other sites under discussion. There has been good progress with the Westquarter site in Falkirk with 17 units due for handover mid 2025. On this site the Association is the principal developer with development services being provided by C~urb. There is a delay with a turnkey development in Bo'ness due to a major fire on the site in December 2024. This is anticipated for handover in April 2026 although phased handover subject to H&S/Habitation Certificates for the 6 houses may be considered earlier.

There was a very welcome restoration of housing funding as part of the 2025/26 Scottish Government as social housing providers continue to tackle the national housing emergency.

Electrical Inspection Condition Report (EICR)

To align with the new ARC Guidance on EICRs, Registered Social Landlords are now required to report on "how many times in the reporting year did you not meet the requirement to complete an electrical installation condition report (EICR) within five years of the last EICR? Reporting"

The Association had a total of 1452 (99.79%) EICRs from the required 1455 completed and in place as of 31st March 2025. Of the 1452 completed, 3 were completed out with the 5-year anniversary albeit completed in the financial year.

Going forward, from 2025/26 year 4 of the 5-year contract and working with our Mechanical & Electrical Consultant, the numbers planned have been levelled out to a more manageable level of circa 300 properties annually.

Health & Safety

Health and Safety remains a priority for the Association and there is a subscription to the Employers in Voluntary Housing's (EVH) Landlord Safety Manual framework. A compliance audit was carried out in 2023 and the auditor concluded "Overall, the audit was very good and there is clearly a high level of health and safety compliance." The Health and Safety Stock Sub Committee continue to scrutinise performance reports in relation to stock safe.

Work around staff health and wellbeing continued through various initiatives including resilience surveys and training. A new flexible/hybrid working policy was developed. Staff absences levels were 1.9% of working days.

Future Prospects

The Association continues to operate from a stable financial and organisational base. Development activities and buy backs continue to support planned growth. It is anticipated that 35 new build units will be delivered over the next 2 years and potentially a further 15 BBOOM acquisitions should HAG funding continue to be available.

There is still a great deal of uncertainty around the Scottish Government's final SHNZS requirements. In the meantime the Association continues to work towards improving energy efficiency and the Net Carbon Zero Agenda.

Achieving SHNZS represents a major challenge for social housing providers going forward and there has been a recent report on financing and funding the decarbonisation of Scotland's social housing by the Scottish Futures Trust (March 2025). As part of this report the Scottish Federation of Housing Associations (SFHA) commented "If Scotland is to achieve its net zero targets, then it's clear there needs to be substantial investment to allow housing associations to urgently accelerate their programme of retrofitting homes. The transition to net zero must be a just transition: tenants cannot be left to foot the bill through higher rents".

The Association has signed up to a new Home Analytics and Portfolio Energy Analysis Tool (PEAT). These are two available tools to support the Association to baseline and model the housing stock with energy efficiency, fuel poverty and decarbonisation being incorporated. Both are Scottish Government funded and are free for the Association to use. Both tools will assist the Association to target energy efficiency improvements to move towards meeting the new SHNZS target in due course.

Treasury

With the assistance of Allia C&C Ltd, specialist treasury advisers, the Association commenced a finance tender exercise in the year as a term loan is due for repayment in 2025. There has been good progress in this exercise and terms for new facilities are expected to be concluded mid 2025.

Principal Risks and Uncertainties

The Association has a Risk Management Strategy and Risk Register in place.

An annual review is carried out with the Management Committee and the Audit Committee is provided with quarterly risk updates. As part of this quarterly review new and emerging risks are identified and risk rating ratings are reviewed. The Management Committee is aware of the ongoing pressures across the economy due to costs of living increases, cost of resources, energy supply issues and supply chain impacts. Account is taken of increasing cyber risks and Cyber Essentials Plus accreditation was retained in March 2025. Measures are being taken to ensure monitoring around damp, mould and condensation issues which are recognised as a sector wide emerging issue. These include the use of specialist monitoring equipment. Reporting on damp, mould and condensation indicators are required for the Scottish Housing Regulator's Annual Return on the Charter 2025/26.

Key Risks have been identified in the following areas. For each of these a risk response and control actions have been formulated.

Risk	Response / Control Action
Economic uncertainty, cost of living crisis, rising energy costs impacting on service users and Association performance	<ul style="list-style-type: none"> • Specialist Tenancy Sustainment Officer in post & HoME project support. • Specific initiatives such as Warm Welcome Home project and successfully accessing funding to support tenants. • Liaise with DWP on universal credit matters. • Ongoing monitoring and reporting on arrears and voids performance. • Business Plan sensitivity analysis.
Achieving and maintaining investment to meet the Scottish Housing Quality Standard, Energy Efficiency Standard Social Housing 1 and moving towards Social Housing Net Zero Standard – SHNZ. Catch up required post covid restrictions and there are still uncertainties around final requirements regarding SHNZ.	<ul style="list-style-type: none"> • Business plan which sets out resources and targets to deliver both SHQS and EESSH 1 and move towards SHNZ • Ongoing programme of investment in improvements such to achieve the standards. • Updating of stock condition survey. • Use of PEAT. • Ongoing monitoring and reporting of progress against plan. • Positive outcome of covenant renegotiation with lender • Use of frameworks for procurement. • Business Plan sensitivity analysis.
Refinancing Risk at term RBS loan December 2025	<ul style="list-style-type: none"> • Positive discussions with lenders • Treasury Management Review 2024 - positive outlook on ability to refinance • Use of specialist advice

Paragon Housing Association Limited

Report of the Management Committee (continued)

For the year ended 31 March 2025

	<ul style="list-style-type: none"> • Range of competitive offers received and preferred funders selected
Increased development activities including acting as principal developer	<ul style="list-style-type: none"> • Using specialist support via C~URB • Strong financial position to manage cashflow
Pension liabilities	<ul style="list-style-type: none"> • Membership of EVH SHAPS Support Group to monitor developments. • Specialist advice in place and working group set up. • Staff consultation is in progress and planned conclusion is 2025/26 supported by specialist advice.
Ensuring compliance with regulatory standards	<ul style="list-style-type: none"> • Scrutiny by Sub Committees and Management Committee. • Use of SFHA Toolkit for assessing assurance. • Internal Audit and other specialist reviews
Risks associated with undertaking development activities	<ul style="list-style-type: none"> • Business plan which sets out resources to deliver development programme. • Project approvals process in place. • Working with experienced partners to deliver development services. • Ongoing monitoring and reporting of progress.
Cyber Security / fraud risks elevated due to more remote working & worldwide cyber insecurities	<ul style="list-style-type: none"> • Cyber Essentials Plus accreditation retained • Staff training and awareness. • Monitoring by Audit Committee
Supply chain issues, increasing prices, contractor failures, labour shortages	<ul style="list-style-type: none"> • Monitoring of contracts / tenders. • Use of framework agreements.
Health & Safety including ensuring organisational resilience and physical and stock safety	<ul style="list-style-type: none"> • H&S support via membership EVH • Use of IA and other specialist reviews • Developing DMPC monitoring framework • Wellbeing project for staff
Scottish Government cut to housing funding (AHSP) including reduced funding for HAG 3 medical adaptations	<ul style="list-style-type: none"> • Monitor situation • Feed into SFHA lobbying and other relevant forums • Pressure partially released 2025/26 as funding restored but backlogs

Paragon Housing Association Limited

Report of the Management Committee (continued)

For the year ended 31 March 2025

Internal audit (IA) services were put out to competitive tender in 2023/24 and Henderson Loggie were reappointed on a cost quality basis.

The IA programme for 2024/25 covered the following areas:

- ARC Indicator – Anti Social Behaviour
- IT Network Security / Cyber Security
- Cash /Bank/ Treasury Management
- Gas Safety - this is carried out annually
- Follow up review

There were no priority recommendations as part of the internal audits and the Internal Audit Annual Report concluded "In our opinion, the Association has adequate and effective arrangements for risk management, control and governance."

Pension

The Association's Pension is detailed in Note 23 in the Financial Statements.

The effects of the defined benefit pension liability have been modelled in the Association's 30-year business plan going forward. It reduces the Association's expenditure in other areas but overall the business plan objectives can be met. The business plan is regularly reviewed and updated, information including changes in pension liabilities are taken account of. The Association takes a prudent approach to risk, including pensions, and the treatment of these liabilities is regularly reviewed with Management Committee members and senior staff keeping abreast of pension changes.

The Management Committee received specialist pension advice on the final salary pension scheme and potential for withdrawal from the scheme. Staff consultation is currently underway.

Governance

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.

The members of the Management Committee have suitable skills and experience to perform their roles and these are regularly supplemented by training and attendance at conferences and seminars. As part of the Association's membership of SHARE, members have access to a comprehensive suite of eLearning modules and 2 members of the Management Committee took full advantage of this by completing over 200 activities each. This earned them a shortlisting for Learner of the Year at SHARE's national awards.

Audrey Anderson continued as chair and was supported by the Management Committee member and office bearers. Members continue to be active in the wider housing scene. June Anderson is active in a number of bodies including the Clackmannanshire Tenant and Residents Federation, the Regional Tenant Network and SHR's National Tenant Panel.

Staff continue to undertake Cyber Security training units during the year. Cyber security is a standing item on the agenda of the Audit Committee.

The Association makes an Annual Return on the Charter (ARC) to the Scottish Housing Regulator (SHR) and publishes information to stakeholders. There were a number of activities undertaken using good practice guidance to prepare the Annual Assurance Statement for submission to SHR in October 2024. The Association was deemed compliant by SHR in its published engagement plan for the period 2025/26.

Paragon Housing Association Limited

Report of the Management Committee (continued)

For the year ended 31 March 2025

Going Concern

The Association has a strong cash position and continues to hold significant unencumbered assets.

The organisation remains financially stable. This view is supported by the most recent review of the 30-year cash flow going forward. These and other financial projections are regularly reviewed as part of the Business Planning cycle.

The Association has £9.4m cash at bank at 31 March 2025 (2024-£11.9m) and net current liabilities of £0.3m (Net Current Assets in 2024-£10.1m). This includes £7.5m to repay the balance of the loan to RBS in December 2025. A re-financing exercise began in the year 2024/25 and should conclude before the final payment is due to be made. There are no material uncertainties in the Business Plan and all loan covenants are complied with for the duration of the plan.

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Disclosure of Information to the Auditor

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

Auditor

RSM UK Audit LLP were re-appointed auditors to the Association at the Annual General Meeting in September 2024.

By Order of the Management Committee



20/08/2025

Paragon Housing Association Limited

Statement of Management Committee's Responsibilities under the Co-operative and Community Benefit Societies Act 2014 For the year ended 31 March 2025

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require 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 is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any 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 is responsible for instituting adequate systems of internal control and for:

- safeguarding assets
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Paragon Housing Association website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Paragon Housing Association Limited

Management Committee's Statement of Internal Financial Control For the year ended 31 March 2025

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment 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 financial misstatement or loss or failure to meet objectives. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for the important business functions and annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared which allow the Management Team and Management Committee to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term.
- monthly/quarterly management accounts are prepared promptly, providing relevant, reliable, and up-to-date financial and other information, with significant variances from budget being investigated as appropriate.
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee.
- the Audit Committee/Management Committee receives reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing the Association is undertaken; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal and external audit reports.

The effectiveness of the Association's system of internal financial control has been reviewed by the Management Committee for the year ended 31 March 2025. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Management Committee



Chair

Date: 20/08/2025

Paragon Housing Association Limited

Report by the Auditors to the members of Paragon Housing Association Limited on Corporate Governance matters

For the year ended 31 March 2025

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 13 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 14 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.



RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

Date... 12 September 2025

**Independent Auditor's Report to the Members of Paragon Housing Association Limited on
Internal Controls
For the year ended 31 March 2025**

Opinion

We have audited the financial statements of Paragon Housing Association (the 'Association') for the year ended 31 March 2025 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2025 and of its income and expenditure for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under those Acts"

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt about the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Management Committee with respect of going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Management Committee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the

**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2025**

course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

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:

- proper books of account have not been kept by the association in accordance with section 75; or
- a satisfactory system of control over transactions has not been maintained by the association in accordance with section 75; or
- the income account and the balance sheet are not in agreement with the books of account of the association; or
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, we consider necessary for the purposes of our audit.

Responsibilities of the Management Committee

As explained more fully in the Management Committee's responsibilities statement set out on page 12, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2025**

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework that the Association operates in and how the Association is complying with the legal and regulatory framework.
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud.
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements FRS 102, the Scottish Housing Acts, the Housing SORP and the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019.

We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Housing (Scotland) Acts 2006, 2010, 2014, the Co-operative and Community Benefit Societies Act 2014, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Scottish Housing Regulator's regulatory framework and the Data Protection Act.

We performed audit procedures to inquire of management whether the company is in compliance with these law and regulations, inspected correspondence with the Scottish Housing Regulator, and reviewed the Information Commissioner's Office online portal for indications of any breaches or improvement notices.

The audit engagement team identified the risk of management override of controls and income recognition as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal and income entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2025**


RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date 12 SEPTEMBER 2025

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Paragon Housing Association Limited

**Statement of Comprehensive Income
For the year ended 31 March 2025**

	<i>Notes</i>	2025 £	2024 £
TURNOVER	2	7,378,540	7,044,692
Operating expenditure	2	(6,070,841)	(6,190,840)
OPERATING SURPLUS		1,307,699	853,852
Loss on disposal of housing properties	8	(47,205)	(26,701)
Interest receivable	6	334,544	246,293
Interest and financing costs	7	(991,277)	(1,039,099)
SURPLUS BEFORE TAX		603,761	34,345
Taxation		-	-
SURPLUS FOR THE YEAR		603,761	34,345
Actuarial loss in respect of pensions scheme	23	(8,000)	(383,000)
TOTAL COMPREHENSIVE (EXPENDITURE) FOR THE YEAR	INCOME/	595,761	(348,655)

Paragon Housing Association Limited

Statement of Financial Position
For the year ended 31 March 2025

	Notes	2025 £	2024 £
NON-CURRENT ASSETS			
Intangible assets	12	2,718	5,435
Housing properties	10	32,401,922	30,194,491
Assets under Construction	10	3,089,970	-
Other fixed assets	11	449,741	469,903
Long Term Deposits	14	264,865	264,869
		<u>36,209,216</u>	<u>30,934,698</u>
CURRENT ASSETS			
Trade and other debtors	15	586,676	1,026,188
Cash and cash equivalents	20	4,434,997	6,589,757
Current Asset Investments	14	5,000,000	5,000,000
		<u>10,021,673</u>	<u>12,615,945</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(10,301,003)	(2,693,016)
		<u>(10,301,003)</u>	<u>(2,693,016)</u>
NET CURRENT (LIABILITIES) /ASSETS		<u>(279,330)</u>	<u>9,917,929</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>35,929,886</u>	<u>40,852,627</u>
Creditors: Amounts falling due after more than one year	16	(16,348,268)	(21,874,769)
Defined benefit pension obligation	23	(580,000)	(572,000)
		<u>(16,928,268)</u>	<u>(22,446,769)</u>
TOTAL NET ASSETS		<u>19,001,618</u>	<u>18,405,858</u>
RESERVES			
Share Capital	19	122	123
Income and expenditure reserve		19,001,496	18,405,735
TOTAL RESERVES		<u>19,001,618</u>	<u>18,405,858</u>

The financial statements were approved by the Management Committee and authorised for issue on 20/08/2025 and are signed on its behalf by:

Chair: [REDACTED]
(Audrey Anderson)

Treasurer: [REDACTED]
(Malcolm Richards)

Secretary: [REDACTED]
(Margaret Torrance)

Paragon Housing Association Limited

**Statement of Changes in Reserves
For the year ended 31 March 2025**

	Income and expenditure reserve £
Balance at 31 March 2023	18,754,390
Surplus for the year	34,345
<i>Other comprehensive income:</i>	
Actuarial losses in respect of pension scheme	(383,000)
Balance as at 31 March 2024	18,405,735
Surplus for the year	603,761
<i>Other comprehensive income:</i>	
Actuarial losses in respect of pension scheme	(8,000)
Balance at 31 March 2025	19,001,496

Paragon Housing Association Limited

Statement of Cashflows
For the year ended 31 March 2025

	<i>Notes</i>	2025 £	2024 £
Net cash generated from operating activities	20	10,250,849	1,249,723
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets – housing properties		(3,219,450)	(1,642,322)
Purchase of intangible assets and other tangible fixed assets		(11,196)	(41,444)
Assets under Construction		(3,089,970)	-
Grants received		2,138,574	225,000
Interest received		334,544	246,293
NET CASH USED IN INVESTING ACTIVITIES		(3,847,498)	(1,212,473)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest paid		(991,277)	(1,039,099)
Repayments of borrowings		(729,867)	(682,253)
Non-cash movements in debt		(6,844,420)	-
Issued share capital		12	4
NET CASH USED IN FINANCING ACTIVITIES		(8,565,552)	(1,721, 348)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(2,162,201)	(1,684,098)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		11,854,626	13,538,724
CASH AND CASH EQUIVALENTS AT END OF YEAR		9,692,425	11,854,626

1. ACCOUNTING POLICIES

LEGAL STATUS

The Association is registered in Scotland under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Company's registered office and principal place of business is Invergrange House, Station Road, Grangemouth, FK3 8DG.

The Association's principal activity is the provision of social rented accommodation. The nature of the Association's operations is discussed in the Management Committee report.

Paragon Housing Association Limited meets the definition of a Public Benefit Entity.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

The financial statements are prepared in Sterling (£).

GOING CONCERN

The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The organisation remains financially stable. This view is supported by the most recent review of the 30-year cash flow going forward. These and other financial projections are regularly reviewed as part of the Business Planning cycle. There are challenges around rising inflation rates and there is ongoing surveillance of rates and projections. Assumptions are reviewed during the business planning process.

The Association has stress tested the impact of continued high inflation rates as part of the Business Planning process and has separately identified the assumption of 3% for voids and bad debts in 2024/25 which is the same as the assumption in 2023/24. The Association has £9.4m cash at bank at 31 March 2025 (2024 - £11.9m) and net current liabilities of £0.3m (net current assets in 2024 £10.2m). This reflects the repayment of the RBS loan which is due in December 2025 and for which a refinancing exercise has already begun. There are no material uncertainties in the Business Plan and all loan covenants are complied with until 2038/39 which is when the GBSH Bond is due for repayment at which time this would most likely be re-financed.

TURNOVER AND REVENUE RECOGNITION

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

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

GOVERNMENT GRANTS

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset (excluding land) under the accruals model.

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

1. ACCOUNTING POLICIES (continued)

OTHER INCOME

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

INTANGIBLE ASSETS

All intangible assets shall be considered to have a finite useful life. The use of intangible assets that arises from contractual or other legal rights but may be shorter depending on the period over which the entity expects to use the asset. Currently amortisation is over a period of 3 years using the straight line method. Amortisation of intangible assets is included in operating costs.

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties are held to fulfil a social housing need and therefore, in accordance with the RSL SORP, they are disclosed as property plant and equipment and not investment properties. These properties are principally properties available for rent. Completed housing properties are stated at cost less accumulated depreciation and impairment losses.

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

DEPRECIATION OF HOUSING PROPERTIES

The Association separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

Structure	60 years
Land	Nil
Assets under construction	Nil
Windows	35 years
Doors	25 years
Kitchens	20 years
Sanitaryware	30 years
Roof	60 years
Boilers	15 years
Central Heating System	25 years

1. ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FIXED ASSETS

A cash generating unit is determined for impairment purposes by considering individual properties. An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset.

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

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

OTHER TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and net of depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Computer equipment	33% on cost
Office property	2% on cost
Fixtures, fittings and equipment	25% on cost

A full year's depreciation is charged on those assets in the year of purchase but no charge is made in the year of disposal. Each asset is reviewed on its own merit and a decision is taken whether to capitalise or expend.

APPORTIONMENT OF MANAGEMENT EXPENSES

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

TAXATION

Paragon Housing Association Limited has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

VAT

The Association is not VAT registered. Expenditure is shown inclusive of VAT.

DEPOSITS AND LIQUID RESOURCES

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

1. ACCOUNTING POLICIES (continued)

LEASES

Operating Leases

All other leases are operating leases and the annual rentals are charged to income and expenditure on a straight line basis over the lease term.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the RSL is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

SCOTTISH HOUSING ASSOCIATION PENSION SCHEME (SHAPS)

The Association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The net defined benefit pension deficit liability has been included within the provisions for pensions liability in the financial statements. The current service cost and costs from settlements and curtailments are charged against operating surplus.

Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability and recognised under interest payable. Remeasurements are reported in other comprehensive income. Refer to Note 23 for more details

1. ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Basic financial assets, which include trade debtors, other debtors, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the transaction constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Concessionary loans

The Association has entered into two concessionary loan agreements where the interest rates on the relevant loans are nil. The Association, in accordance with the fact that it is a Public Benefit Entity, has measured these loans at cost within the financial statements. Further information can be found in note 18.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

1. ACCOUNTING POLICIES (continued)

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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

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

Defined benefit obligation

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 23). The net defined benefit pension liability at 31 March 2025 was £580,000.

Useful lives

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the asset management projections and reactive repairs expenditure.

Recoverable amount of rent arrears and other debtors

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place, and court action.

Notes to the Financial Statements (continued)
For the year ended 31 March 2025

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Notes	Turnover £	Operating costs £	Gain or loss on disposals of fixed assets £	2025 Operating surplus/(deficit) £	2024 Operating surplus/(deficit) £
Affordable letting activities	3	7,253,144	(5,945,445)	-	1,307,699	853,852
Other activities	4	125,396	(125,396)	-	-	-
Loss on disposal of housing properties	8	-	-	(47,205)	(47,205)	(26,701)
Total		7,378,540	(6,070,841)	(47,205)	1,260,494	827,151
Total for previous reporting period		7,044,692	(6,190,840)	(26,701)	827,151	

Notes to the Financial Statements (continued)
For the year ended 31 March 2025

3	PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTINGS ACTIVITIES			
	General Needs Social Housing £	Supported Social Housing Accommodation £	Total 2025 £	Total 2024 £
Rent receivable net of service charges	7,007,428	173,083	7,180,511	6,740,263
Service charges	5,216	274	5,490	6,065
Gross income from rents and service charges	7,012,644	173,357	7,186,001	6,746,328
Less voids	(62,455)	(2,077)	(64,532)	(74,862)
Net income from rents and service charges	6,950,189	171,280	7,121,469	6,671,466
Grants released from deferred income	98,225		98,225	95,662
Revenue grants from Scottish Ministers	33,450		33,450	57,000
Other revenue grants	-		-	-
Total turnover from affordable letting activities	7,081,864	171,280	7,253,144	6,824,128
Management and maintenance administration costs	(2,192,808)		(2,192,808)	(1,914,461)
Planned and cyclical maintenance including major repairs costs	(1,325,238)	(10,417)	(1,335,655)	(1,567,980)
Reactive maintenance costs	(1,357,004)	(25,169)	(1,382,173)	(1,442,414)
Bad debts - rents and service charges	(69,995)		(69,995)	(86,145)
Depreciation of affordable let properties	(964,814)		(964,814)	(959,276)
Operating Costs for affordable letting activities	(5,909,859)	(35,586)	(5,945,445)	(5,970,276)
Operating surplus for affordable letting activities	1,172,005	135,694	1,307,699	853,852
Operating surplus for affordable letting activities for previous reporting period	798,618	55,234	853,852	

Notes to the Financial Statements (continued)
For the year ended 31 March 2025

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs bad debts £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit for previous reporting period £
Factoring	-	-	-	58,799	58,799		(58,799)	-	-
Other sundry activities	-	-	-	41,012	41,012		(56,299)	(15,287)	(9,843)
Other activities – insurance and tenant recharges	-	-	-	25,585	25,585		(10,298)	15,287	9,843
Total from other activities	-	-	-	125,396	125,396		(125,396)	-	-
Total from other activities for the previous reporting period	-	-	-	220,564	220,564	(7,056)	(213,508)	-	

5.	ACCOMMODATION IN MANAGEMENT	2025 Units	2024 Units
	General needs housing	1,434	1,429
	Supported housing	21	21
	TOTAL UNITS IN MANAGEMENT	1,455	1,450
6.	INTEREST RECEIVABLE AND SIMILAR INCOME	2025 £	2024 £
	Interest on bank deposits	334,544	246,293
		334,544	246,293
7.	INTEREST PAYABLE AND SIMILAR CHARGES	2025 £	2024 £
	Interest arising on:		
	Bank loans and overdrafts	1,009,731	1,051,394
	Adjustment to effective interest rate	(24,454)	(22,295)
	Defined benefit pension charge	6,000	10,000
		991,277	1,039,099
8.	OPERATING SURPLUS	2025 £	2024 £
	Operating surplus is stated after charging:		
	Depreciation of housing properties (note 10)	964,814	959,276
	Depreciation of other tangible fixed assets (note 11)	31,569	31,458
	Amortisation of intangible assets (note 12)	2,717	5,679
	Deficit on disposal of tangible fixed assets	47,205	26,701
	Operating lease rentals	23,571	40,388
	Defined Contribution Pension costs	36,745	33,183

Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:

	2025 £	2024 £
Audit services - Statutory audit of the Association	23,400	22,080

9. EMPLOYEES

The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:

	2025 No.	2024 No.
Administration	7	7
Housing management	15	16
Property and regeneration	3	3
	<u>25</u>	<u>26</u>

	2025 £	2024 £
Staff costs for the above persons:		
Wages and salaries	1,051,205	1,070,790
Social security costs	111,104	102,376
Other pension costs and current service cost (note 23)	113,984	56,072
Agency costs	5,732	48,806
	<u>1,282,025</u>	<u>1,278,044</u>

Key management personnel are defined as the members of the Management Committee and the Director and the Executive Officers. The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	No.	No.
£60,000 - £70,000	2	3
£70,000 - £80,000	1	-
£80,000 - £90,000	1	1

	2025 £	2024 £
Aggregate emoluments of key management personnel (excluding pension contributions)	<u>294,963</u>	<u>276,747</u>
The emoluments of the director (excluding pension contributions)	<u>88,239</u>	<u>83,245</u>
Aggregate pension contributions in relation to the director	<u>14,295</u>	<u>13,486</u>
Total emoluments payable to the director	<u>102,534</u>	<u>96,731</u>

No payment or fees or other remuneration was made to the Committee of Management members during the year (2024: £nil).

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Assets under construction	Social housing properties held for letting
Cost		
1 April 2024	-	41,665,202
Additions	3,089,970	365,777
Works to existing properties	-	2,853,673
Disposals	-	(567,245)
31 March 2025	<u>3,089,970</u>	<u>44,317,407</u>
Depreciation and impairment		
1 April 2024	-	(11,470,711)
Depreciation charged in year	-	(964,814)
Released on disposal	-	520,040
31 March 2025	<u>-</u>	<u>(11,915,485)</u>
Net book value		
31 March 2025	<u>3,089,970</u>	<u>32,401,922</u>
31 March 2024	<u>-</u>	<u>30,194,491</u>
		2025
		£
Value of Land included in costs	<u>6,922,947</u>	<u>6,840,238</u>

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2025 £	2024 £
Improvement work capitalised:		
Replacement component spend capitalised	2,853,673	691,810
Amounts charged to income and expenditure	1,391,993	1,074,059
Total major repairs spend	<u>4,245,666</u>	<u>1,765,869</u>

Notes to the Financial Statements (continued)
For the year ended 31 March 2025

11. TANGIBLE FIXED ASSETS – OTHER

	Office Property £	Furniture, fixtures and fittings £	Total £
Cost			
1 April 2024	701,315	219,006	920,321
Additions	4,800	6,396	11,196
31 March 2025	<u>706,115</u>	<u>225,402</u>	<u>931,517</u>
Depreciation and impairment			
1 April 2024	(262,867)	(187,551)	(450,418)
Depreciation charged in year	(14,914)	(16,444)	(31,358)
31 March 2025	<u>(277,781)</u>	<u>(203,995)</u>	<u>(481,776)</u>
Net book value			
31 March 2025	<u>428,334</u>	<u>21,407</u>	<u>449,741</u>
31 March 2024	<u>438,448</u>	<u>31,455</u>	<u>469,903</u>

12. INTANGIBLE ASSETS

	Software £
Cost	
1 April 2024	254,816
Additions	-
Disposals	-
31 March 2025	<u>254,816</u>
Amortisation	
1 April 2024	(249,381)
Charge for the year	(2,717)
31 March 2025	<u>(252,098)</u>
Net book value	
31 March 2025	<u>2,718</u>
31 March 2024	<u>5,435</u>

Notes to the Financial Statements (continued)
For the year ended 31 March 2025

13. DEBTORS

	2025 £	2024 £
Amounts falling due within one year:		
Rent and service charges receivable	494,201	536,005
Less: provision for bad and doubtful debts	(213,152)	(166,993)
	<u>281,049</u>	<u>369,012</u>
Other debtors	28,955	35,677
Prepayments and accrued income	276,672	621,499
	<u>586,676</u>	<u>1,026,188</u>

14. INVESTMENTS

	2025 £	2024 £
<u>Current Asset Investments</u>		
Short term deposits	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>
<u>Non-Current Asset Investments</u>		
Long term deposits	264,865	264,869
	<u>264,865</u>	<u>264,869</u>

Investments in short term deposits have a maturity of 1 year or less, and at the balance sheet date the average maturity of the deposits was 5 months.

Investments in long term deposits have a maturity of more than 1 year, and at the balance sheet date the average maturity of the deposits was 18 months.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2025 £	2024 £
Debt (note 18)	7,536,863	692,443
Rent and service charges received in advance	338,148	328,307
Deferred capital grants (note 17)	98,225	95,662
Trade creditors	1,034,415	366,032
Other taxation and social security costs	26,848	28,274
Other creditors	396,626	166,995
Holiday pay accrual	29,405	24,455
Accruals and deferred income	840,473	995,848
	<u>10,301,003</u>	<u>2,698,016</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2025 £	2024 £
Debt (note 18)	9,721,281	17,295,568
Deferred capital grant (note 17)	6,626,987	4,569,201
	<u>16,348,268</u>	<u>21,864,769</u>

17. DEFERRED CAPITAL GRANT

	2025 £	2024 £
As at 1 April	4,664,863	4,535,525
Grant received in the year	225,000	225,000
Grant received in the year (Westquarter)	1,913,574	-
Capital grant released	(98,225)	(95,662)
As at 31 March	6,705,212	4,664,863
Amounts to be released within one year	98,225	95,662
Amounts to be released in more than one year	6,606,987	4,569,201

18. DEBT ANALYSIS – BORROWINGS

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2025 £	2024 £
Due within one year	7,536,863	692,443
Due in one year or more but less than two years	89,432	7,536,863
Due between two and five years	-	89,432
Due more than five years	9,631,849	9,669,273
	17,258,144	17,988,011

Bank borrowings of £17,084,314 (2024: £17,530,586) are secured against the Association's housing properties. The fixed rate for the bond is 5.193% and the RBS loan rate is SONIA + 1.55% margin. The Association has entered into two concessionary loan arrangements whereby no interest is payable on the loans – one from the Energy Savings Trust is repayable in equal instalments over a 10 year period ending April 2027, and the other from the Scottish Government was repaid in equal instalments over 5 years ending March 2025. The total value of the concessionary loans entered into is £173,830 (2024: £457,424) with £84,398 payable in less than one year (2024: £283,595) and £89,432 payable in more than one year (2024: £173,830).

19. SHARE CAPITAL

Each of the Association's members agrees to contribute £1 in the event of the Association winding up.

	2025 £	2024 £
Number of members		
1 April	123	128
Joined during the year	12	4
Left during year	(13)	(9)
31 March	122	123

Notes to the Financial Statements (continued)

For the year ended 31 March 2025

20. RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM / (USED IN) OPERATIONS

	2025 £	2024 £
Surplus/Deficit for the year	595,761	(348,655)
Adjustments for non-cash items:		
Depreciation of fixed assets / amortisation of intangible assets	998,889	996,413
Amortisation of deferred capital grant	(98,225)	(95,662)
Movement in Defined Benefit Pension Liability	8,000	357,000
Loss/(Gain) on disposal of tangible fixed assets	47,205	25,660
Loss on disposal of intangible and other fixed assets	-	1,041
Interest receivable	(334,544)	(246,293)
Interest payable	991,277	1,039,099
Cancelled shares	(13)	(9)
Operating cash flows before movements in working capital	2,208,350	1,728,594
Decrease/(increase) in trade and other debtors	439,512	(338,523)
(Decrease)/increase in trade and other creditors	7,602,987	(140,348)
Cash generated from / (used in) operations	10,250,849	1,249,723

CASH AND CASH EQUIVALENTS

	2025 £	2024 £
Cash at bank and in hand	4,434,997	6,589,757
Cash on Deposit	5,264,865	5,264,869
	9,699,862	11,854,626

20. RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM / (USED IN) OPERATIONS (continued)

Net debt reconciliation

	At April 2024 £	Cash flow £	Non-cash movements £	At 31 March 2025 £
Cash at bank and in hand	11,854,626	(2,156,306)	-	9,698,320
Debt: due within one year	(692,443)	(6,114,553)	(729,867)	(7,536,863)
Debt: due after one year	(17,295,568)	6,844,420	729,867	(9,721,281)
	(6,133,385)	(1,426,439)	0	(7,559,824)

21. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

	2025 £	2024 £
Expenditure authorised by the board which is contracted for	<u>345,000</u>	<u>840,000</u>

The capital commitments will be financed through existing cash reserves.

22. COMMITMENTS UNDER OPERATING LEASES

	2025 £	2024 £
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Amounts due:		
Within one year	21,703	20,687
Between one and five years	<u>19,142</u>	<u>20,997</u>
	<u>40,845</u>	<u>41,684</u>

23. RETIREMENT BENEFITS

Paragon Housing Association participates in the Scottish Housing Association Pension Scheme (SHAPS), a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the United Kingdom.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council; set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

23. RETIREMENT BENEFITS (continued)

A full actuarial valuation for the scheme was carried out at 30 September 2024. This actuarial valuation showed assets of £680m, liabilities of £759m and a deficit of £79m. As a result of the 2024 valuation, the Trustee has indicated that additional contributions to the scheme for participating employers will be re-introduced from 1st April 2026 until 31st March 2030. Employers in total will pay £15.6m per year, increasing by 3% on 1st April each year.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

For the year ended 31 March 2025, sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2024 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2025 by a qualified independent actuary.

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset /(Liability)

	31 March 2025 £'000	31 March 2024 £'000
Fair value of plan assets	3,998	4,129
Present value of defined benefit obligation	4,578	4,701
Surplus/(deficit) in plan	(580)	(572)
Defined benefit asset/(liability) to be recognised	(580)	(572)
Deferred tax	-	-
Net defined benefit asset/(liability) to be recognised	(580)	(572)

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	31 March 2025 £'000	31 March 2024 £'000
Defined benefit obligation at 1 April 2024	4,701	4,336
Current service cost	27	23
Expenses	6	6
Interest expense	227	211
Contributions by plan participants	60	59
Actuarial losses/(gains) due to scheme experience	185	230
Actuarial losses/(gains) due to changes in demographic assumptions	-	(29)
Actuarial losses/(gains) due to changes in financial assumptions	(462)	20
Benefits paid and expenses	(166)	(155)
Defined benefit obligation at 31 March 2025	4,578	4,701

23. RETIREMENT BENEFITS (continued)

Reconciliation of Opening and Closing Balances of the Fair Value of Plan Assets

	31 March 2025 £'000	31 March 2024 £'000
Fair value of plan assets at 1 April 2024	4,129	4,121
Interest income	200	201
Experience on plan assets (excluding amounts included in interest income) - gain	(291)	(162)
Contributions by the employer	66	65
Contributions by plan participants	60	59
Benefits paid and expenses	(166)	(155)

Notes to the Financial Statements (continued)
For the year ended 31 March 2025

Fair value of plan assets at 31 March 2025	3,998	4,129
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Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)

	Period from 1 April 2023 to 31 March 2024 £'000	Period from 1 April 2022 to 31 March 2023 £'000
Current service cost	27	23
Expenses	6	6
Net interest expense	27	10
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	60	39

Defined Benefit Costs Recognised in Other Comprehensive Income

	Period ended 31 March 2025 £000	Period ended 31 March 2024 £000
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	(291)	(162)
Experience gains and losses arising on the plan liabilities – gain/(loss)	(185)	(230)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)		29
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	462	(20)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	(14)	(383)
Total amount recognised in other comprehensive income – gain/(loss)	(14)	(383)

23. RETIREMENT BENEFITS (continued)

Assets	31 March 2025 £'000	31 March 2024 £'000
Global Equity	463	475
Absolute Return	-	186
Distressed Opportunities	-	152
Credit Relative Value	-	145
Alternative Risk Premia	-	149
Liquid Alternatives	737	-
Emerging Markets Debt	-	72

Paragon Housing Association Limited

Notes to the Financial Statements (continued)
For the year ended 31 March 2025

Risk Sharing	-	248
Insurance-Linked Securities	15	26
Property	198	175
Infrastructure	1	395
Private Equity	3	3
Real Assets	477	-
Private Debt	-	166
Opportunistic Illiquid Credit	-	164
Private Credit	499	-
Credit	170	-
Investment Grade Credit	183	-
High Yield	-	1
Cash	21	107
Corporate Bond Fund	-	-
Long Lease Property	1	31
Secured Income	92	138
Liability Driven Investment	1,126	1,493
Currency Hedging	7	(2)
Net Current Assets	5	5
Total assets	3,998	4,129

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

Key Assumptions	31 March 2025 % per annum	31 March 2024 % per annum
Discount Rate	5.73	4.87
Inflation (RPI)	3.13	3.19
Inflation (CPI)	2.76	2.76
Salary Growth	3.76	3.76
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2025 imply the following life expectancies:

Life expectancy at age 65 (Years)	2025	Life expectancy at age 65 (Years)	2024
Male retiring in 2025	20.2	Male retiring in 2024	20.2
Female retiring in 2025	22.7	Female retiring in 2024	22.7
Male retiring in 2045	21.5	Male retiring in 2044	21.4
Female retiring in 2045	24.2	Female retiring in 2044	24.1

24. RELATED PARTY TRANSACTIONS

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

Malcolm Richards
Susan Gilbert

Their tenancies are on normal commercial terms. During the year £8,433 (2024: £22,708) of rent was receivable from these tenant members and their close family members. At the year-end there were £Nil (2024: £2,777) of rent arrears due from these tenant members and their close family members.

Malcolm Richards was for part of the year an Executive Committee Member of EVH. During the

Notes to the Financial Statements (continued)
For the year ended 31 March 2025

year the Association spent £8,368 (2024: £13,622) on training and services from EVH at a normal market rate.

Malcolm Richards was also Chair of Grangemouth Community Pantry and a donation of £110 was made to them from monies received for this purpose from DM Integrated Solutions and proceeds of a staff Christmas raffle.

25. CONTINGENT LIABILITIES

The 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 2024.

As of this date the estimated employer debt for Paragon Housing Association was £1,506,051.

The Association has been notified by the Trustee of the Scheme that it has performed a review comparing the benefits provided to scheme members over recent years with the requirements of the Scheme documentation. Due to uncertainty as to the effect of some benefit changes, the Trustee has been advised by lawyers to seek clarification from the Court on potential changes to the pension liability. It is recognised that this could potentially impact the value of Scheme liabilities, but until the outcome of the ongoing Court process is known (which is currently expected to be late 2025), it is not possible to calculate the impact on the liabilities of this issue with any accuracy, particularly on an individual employer basis, for the purposes of the 31 March 2025 financial statements. Accordingly, no adjustment has been made in these financial statements in respect of this potential issue.

The Board are aware that the Court of Appeal has upheld the decision in the Virgin Media vs NTL Pension Trustees II Limited case. The decision puts into question the validity of any amendments made in respect of the rules of a contracted-out pension scheme between 6 April 1997 and 5 April 2016. The judgment means that some historic amendments affecting s.9(2B) rights could be void if the necessary actuarial confirmation under s.37 of the Pension Schemes Act 1993 was not obtained.

On the 5 June 2025, the Government announced its intention to introduce legislation to give affected pension schemes the ability to retrospectively obtain written confirmation that historical benefit changes met the necessary standards. However, details of the legislation have not been announced. Subject to the entity being able to comply with the legislation and the pension scheme obtaining the required written actuarial confirmation, the Board do not expect the valuation of the scheme liabilities to change