
PARAGON HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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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 2016**

Management Committee

Michael Hesketh	Chairperson
Flora Wallace	Joint Vice Chairperson
Helen Forrest	Joint Vice Chairperson
Susan Robertson	Treasurer
Jean Murray	
Elisabeth Campbell	
Iris Abercrombie	
Kenneth Earle	
Louisa Hesketh	
Moira Calder	
Joan Paterson	
Tina Murphy	Representing Clackmannanshire Council until Dec 2015 and general member thereafter
Cllr Christine Simpson	Representing Stirling Council

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

External Auditors

RSM UK Audit LLP (formerly Baker Tilly UK
Audit LLP)
Third Floor, Centenary House
69 Wellington Street
Glasgow, G2 6HG

Internal Auditors

TIAA Limited
53-55 Gosport Business Centre
Aerodrome Road
Gosport
PO13 0FQ

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

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

Paragon Housing Association Limited

Report of the Management Committee

For the year ended 31 March 2016

The Management Committee presents their report and audited financial statements for the year ended 31 March 2016. The financial statements reflect the introduction of Financial Reporting Standard 102 ('FRS 102') and the Statement of Recommended Practice for registered social landlords 2014 for the first time. Comparative figures have been updated accordingly. See note 26 to the financial statements for further detail.

Principal Activities

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

Objectives

The Association has set 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 such as the Tenant Participation Strategy.

A strong vision for the forward direction of the organisation was developed and this has been used to shape the structure of the organisation and service delivery going forward. A number of the key activities undertaken are outlined in the Development and Performance Section below

Development and Performance

There was a strong emphasis on business development throughout the year. This included the following activities

- an organisational review focussing on the staffing structure and service delivery
- a refinancing exercise to ensure meeting current liabilities, providing funding for growth and investment opportunities and reducing future refinancing risks
- the procurement exercise for an new IT system

The organisational review resulted in a new staffing structure where staff moved from generic to more specialist roles. This was achieved through a process of extensive staff consultation and there were no redundancies resulting from the exercise. Service changes included the introduction of a repairs by appointment system with 100% of appointments being kept in the first year of operation.

The refinancing exercise was mainly undertaken in response to the Association's former lender, the Co-operative Bank, signalling their intention to focus on the needs of individuals and small and medium sized businesses. This meant that the Association's loan portfolio held with the bank was outwith the bank's core business focus.

A tender process signalled significant interest from several well established lenders to the social housing market in providing the Association with loan facilities. The decision was made to enter into agreements with two lenders. The Royal Bank of Scotland provided a capital and interest repayment loan for £6 million with a further £4 million revolving credit facility and GB Social Housing (a bond aggregator) provided a £10 million facility. The latter facility is among the first of its kind for a medium sized Scottish housing association.

The successful exercise has allowed the Association to have more financial certainty going forward and the term of the bond has significantly reduced the risks and costs of future refinancing requirements.

Paragon Housing Association Limited

Report of the Management Committee

For the year ended 31 March 2016

Development and Performance (continued)

Towards the end of the financial year a tender exercise was undertaken for the procurement of a new IT system. It is planned that the first phase of the system will go live mid-2016.

There continued to be a strong focus on investment during the year with 91.12% of the Association's stock meeting Scottish Housing Quality Standard as at March 2016 and over 60% meeting the EESSH standard which has a target delivery date of 2020.

The areas of non-compliance for the SHQS are where owners have refused to take part in door entry improvement work or where access has not been granted for heating replacement works. The Association has undertaken considerable work in producing a Door Entry Strategy in an attempt to persuade owners to pay for a share of this improvement work and some have agreed.

Building on the success of previous sustainable projects, the Association is currently working in partnership with a large Scottish RSL, providing 48 new social housing units in Clackmannanshire (Alva). The construction type is innovative and the units are manufactured in a factory and assembled on site and designed to meet the Building Regulation Gold Standard for sustainability. This project is due for completion during 2016/17 and is based on a "turnkey" acquisition which reduces the development activity risk for the Association.

The Association has been very successful in achieving grant funding for energy efficiency projects through several schemes. Partnership working with utility suppliers, local authorities and the Scottish Government has delivered substantial energy efficiency improvements for tenants and home owners as part of an area based approach.

In 2014 the Association received funding of £271,000 for a 3 year period for a financial inclusion project, Paragon Action Support & Advice Project (PASAP). The project has the working title of the "Heads Up" Project and it employs 2 members of staff on a full time basis. Support provided includes help with welfare benefit issues, financial education, best deal shopping for utility supplies etc. The project had been running from June 2014 and to date Association tenants have benefitted to the tune of over £300,000 in additional welfare and benefits income and other financial gains as a result of support from the team. Feedback from service users to date has been excellent.

Future Prospects

The Association continues to operate from a stable financial and organisational base. In line with the strategic objectives for growth small scale development opportunities continue to be pursued.

Organisational changes made during the year are having a positive impact on performance with the reduction of rent arrears and better performance in letting properties.

Principal Risks and Uncertainties

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.

Key Risks have been identified in the following areas:

- Impact of Welfare Reform and its impact on rent arrears & voids performance
- Achieving and maintaining investment to meet the Scottish Housing Quality Standard and Energy Efficiency Standard Social Housing (Scotland)
- Refinancing risks in short and longer term
- Risks associated with delivering organisational change including the implementation of a new IT system
- Pension liabilities

Paragon Housing Association Limited

Report of the Management Committee

For the year ended 31 March 2016

- Ensuring compliance with regulatory standards
- Risks associated with undertaking development activities

For each of these a risk response has been formulated and control actions formulated. The actions taken have generally been effective in controlling the identified risks. The Development and Performance Section provides more detail on the impact of specific programmes and actions.

In line with good practice a tender was advertised for the provision of Internal Audit Services and TIAA was appointed to undertake a programme of Internal Audits from 2015 /16.

In the first year of the programme an Audit Needs Assessment was carried out and the following areas were included in the audit schedule.

- Gas Safety
- Arrears
- Payroll

There were no priority recommendations made as part of any of the audits.

The Association is a member of the Housing Associations Internal Audit Forum (HAIAF) and uses this membership to support its internal audit activities.

Key Performance Indicators (financial and non-financial)

All Registered Social Landlords provide a comprehensive report on performance and Key Performance Indicators (KPI's) to the Scottish Housing Regulator (SHR) on an annual basis. This information can be obtained from the SHR's web site.

Regular reports are made to the Management Committee on KPI's and stakeholders are provided with an annual Charter Indicator Report which is also available from the Association's web site.

KPI's are showing an improved performance in a number of core areas such as rent collection and void management.

KPI	2015/16	2014/15
Rent collected as percentage of total rent due in the reporting year	104.74%	94.49%
Current tenant non-technical arrears as % of gross rental income	3.12%	3.94%
Average length of time taken to complete non-emergency repairs. Measured in Days	5.3	4.93
Percentage of properties that require a gas safety record which had a gas safety check and record completed by the anniversary date.	100%	100%
Percentage of rent due lost through properties being empty during the last year.	0.99%	1.84%

Paragon Housing Association Limited

Report of the Management Committee

For the year ended 31 March 2016

Average length of time taken to re-let properties in the last year. Measured in Days All lets including low demand	62.16	58.8
Average length of time taken to re-let properties in the last year. Measured in Days Standard Demand	33.4	39.72
Number of properties void over 6 months at year end	0	8

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 for their role and these are regularly supplemented by training and attendance at conferences and seminars. Two senior office bearers have attained the formal SVQ "Governance of Scottish Housing Associations" qualification.

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) were appointed auditors to the Association at the Annual General Meeting in September 2015.

The Association makes an Annual Return on the Charter (ARC) to the Scottish Housing Regulator (SHR) and publishes a stakeholder's version.

The SHR uses the information from the ARC and other returns to decide on the level of regulatory involvement with each Scottish Register Social Landlord. The current status for involvement with the Association is low.

Going Concern

The Association has a strong cash position and continues to hold significant unencumbered assets. The most recent valuation of the Association's housing stock on an existing use basis is just under £27 million.

During 2015 the Association carried out a refinancing exercise which raised facilities of £16 million to redeem the current facility with the Co-operative Bank and a further £4 million revolving credit facility to fund future investment including development activities.

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 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.

Paragon Housing Association Limited
Report of the Management Committee
For the year ended 31 March 2016

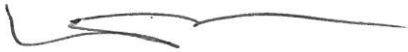
Disclosure of Information to the Auditor

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

A resolution for the reappointment of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), as auditors of the Association, will be proposed at the Annual General meeting.

By Order of the Management Committee



Position SECRETARY

Date 14/9/16

Paragon Housing Association Limited

Statement of Management Committees Responsibilities For the year ended 31 March 2016

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Committee to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Management Committee is required to:

- select suitable accounting policies and 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 being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Management Committee is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2014. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.

Paragon Housing Association Limited

Management Committee's Statement of Internal Financial Control For the year ended 31 March 2016

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 mis-statement 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 Audit Committee/Management Committee for the year ended 31 March 2016. 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

Position


SECRETARY

Date:

14/9/16

Paragon Housing Association Limited

**Independent Auditor's Report to the Members of Paragon Housing Association Limited on
Internal Controls
For the year ended 31 March 2016**

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 10 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

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)

Statutory Auditor
Chartered Accountants

Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date *19/9/16*

Paragon Housing Association Limited

Independent Auditors Report to the Members of Paragon Housing Association Limited For the year ended 31 March 2016

We have audited the financial statements of Paragon Housing Association Limited for the year ended 31 March 2016 on pages 13 to 38. 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) including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee of Management and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

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.

RSM UK Audit

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP)
Statutory Auditor

Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date:

19/9/16

Paragon Housing Association Limited

**Statement of Comprehensive Income
For the year ended 31 March 2016**

	Notes	2016 £	2015 £
TURNOVER	2	7,675,097	6,861,161
Operating expenditure		<u>(6,015,532)</u>	<u>(5,309,732)</u>
OPERATING SURPLUS / (DEFICIT)		1,659,565	1,551,429
Gain / (loss) on disposal of property, plant and equipment	9	52,791	52,000
Interest receivable	6	47,680	42,015
Interest and financing costs	7	(521,173)	(418,759)
SURPLUS / (DEFICIT) BEFORE TAX		<u>1,238,863</u>	<u>1,226,685</u>
Taxation		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,238,863</u>	<u>1,226,685</u>

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

Paragon Housing Association Limited

Statement of Financial Position
For the year ended 31 March 2016

	Notes	2016 £	2015 £
FIXED ASSETS			
Intangible assets	13	-	78
Housing properties	11	23,963,480	24,279,986
Other fixed assets	12	482,366	485,697
		<u>24,445,846</u>	<u>24,765,761</u>
CURRENT ASSETS			
Trade and other debtors	14	443,814	407,758
Cash and cash equivalents		8,232,596	6,798,745
		<u>8,676,410</u>	<u>7,206,503</u>
CURRENT LIABILITIES	15	(1,796,282)	(2,296,085)
Creditors: amounts falling due within one year			
NET CURRENT ASSETS			
		6,880,128	4,910,418
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>31,325,974</u>	<u>29,676,179</u>
Creditors: Amounts falling due after more than one year	16	(19,468,474)	(18,966,528)
Provisions for liabilities			
Pension provision	19	(1,427,000)	(1,518,000)
TOTAL NET ASSETS			
		<u>10,430,500</u>	<u>9,191,651</u>
RESERVES			
Share Capital		212	227
Income and expenditure reserve		10,430,288	9,191,424
TOTAL RESERVES		<u>10,430,500</u>	<u>9,191,651</u>

The financial statements were approved by the Management Committee and authorised for issue on 14/9/16 and are signed on its behalf by:

Committee member: *Flora Wallace*

Committee member: *[Signature]*

Secretary: *[Signature]*

Paragon Housing Association Limited

**Statement of Changes in Reserves
For the year ended 31 March 2016**

	Income and expenditure reserve £	Total £
Balance at 1 April 2014	7,964,739	7,964,739
Surplus / (deficit) for the year	<u>1,226,685</u>	<u>1,226,685</u>
Balance as at 31 March 2015	<u>9,191,424</u>	<u>9,191,424</u>
Surplus/ (deficit) for the year	<u>1,238,864</u>	<u>1,238,864</u>
Balance at 31 March 2016	<u>10,430,288</u>	<u>10,430,288</u>

Paragon Housing Associa

**Statement of Cashflows
For the year ended 31 March 2016**

	Notes	2016 £	2015 £
Net cash generated from operating activities	21	2,266,669	2,652,858
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets – Housing		(419,135)	(574,387)
Purchase of Other Tangible Fixed Assets		(14,757)	(2,614)
Proceeds from sale of tangible fixed assets		140,916	101,342
Grants received		52,600	82,860
Interest received		47,680	42,015
NET CASH USED IN INVESTING ACTIVITIES		(192,696)	(350,784)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest Received on Cash & Cash Equivalents			
Interest paid		(489,173)	(369,759)
Interest element of finance lease rental payments		-	-
New secured loans		16,019,553	-
Repayments of borrowings		(16,170,513)	(869,942)
Capital element of finance lease rental payments		-	-
Issued share capital		11	9
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		(640,122)	(1,239,692)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,433,851	1,062,382
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,798,745	5,736,363
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	8,232,596	6,798,745

Paragon Housing Association Limited

ACCOUNTING POLICIES (continued) For the year ended 31 March 2016

1. ACCOUNTING POLICIES

LEGAL STATUS

The Association is registered 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 are discussed in the Management Committee report.

Paragon Housing Association Limited is 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 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

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

Critical accounting estimates

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

CHANGE IN ACCOUNTING POLICY

These financial statements are the first financial statements of Paragon Housing Association prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, the executive officers/management committee have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period; and (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 26.

Paragon Housing Association Limited

ACCOUNTING POLICIES (continued) For the year ended 31 March 2016

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 Association has a strong cash position and continues to hold significant unencumbered assets. The most recent valuation of the Association's housing stock on an existing use basis is just under £27 million.

During 2015 the Association carried out a refinancing exercise which raised facilities of £16 million to redeem the current facility with the Co-operative Bank and a further £4 million revolving credit facility to fund future investment including development activities.

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.

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.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

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.

OTHER GRANTS

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

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 at 33% of costs.

TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent. Completed housing properties are stated at cost less accumulated depreciation and impairment losses.

Paragon Housing Association Limited

ACCOUNTING POLICIES (continued) For the year ended 31 March 2016

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

IMPAIRMENTS OF FIXED ASSETS

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, Paragon 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 income and expenditure account.

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

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	25% on cost
Fixtures, fittings and equipment	2% on cost

Paragon Housing Association Limited

ACCOUNTING POLICIES (continued) For the year ended 31 March 2016

A full years depreciation is charged on those 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.

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.

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.

RETIREMENT BENEFITS

Defined benefit plans

The Association participates in the centralised multi-employer defined benefit schemes, the Scottish Housing Association Pension Scheme (SHAPS).

For the SHAPS, contributions are recognised in income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

Asset/Liability

Paragon Housing Association Limited

ACCOUNTING POLICIES (continued) For the year ended 31 March 2016

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

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

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

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

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

ACCOUNTING POLICIES (continued)

For the year ended 31 March 2016

and other similar charges.

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

PROVISIONS

Provisions are recognised when the Association has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

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

	Notes	Turnover £	Operating costs £	Operating surplus/(deficit) £	2016	2015
Affordable letting activities	3	5,383,236	(3,877,315)	1,505,921	1,494,114	
Other activities	4	2,291,861	(2,138,217)	153,644	57,285	
Total		7,675,097	(6,015,532)	1,659,565	1,551,429	
Total for previous reporting period		6,861,161	(5,309,732)	1,551,429		

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Social Housing		Supported Social Accommodation		Total	
	£	£	£	£	2016	2015
Rent receivable net of service charges	5,199,029	70,780	5,269,809	5,114,080		
Service charges	-	-	-	-		
Gross income from rents and service charges	5,199,029	70,780	5,269,809	5,115,080		
Less voids	(29,035)	-	(29,035)	(63,241)		
Net income from rents and service charges	5,169,994	70,780	5,240,774	5,050,839		
Grants released from deferred income	75,248	-	75,248	74,309		
Revenue grants from Scottish Ministers	63,928	3,286	67,214	92,634		
Other revenue grants	-	-	-	52,572		
Total turnover from affordable letting activities	5,309,170	74,066	5,383,236	5,270,354		
Management and maintenance administration costs	1,486,947	22,088	1,509,035	1,407,772		
Service costs	-	-	-	-		
Planned and cyclical maintenance including major repairs costs	865,139	16,775	881,914	914,383		
Reactive maintenance costs	730,381	15,367	745,748	757,835		
Bad debts - rents and service charges	93,101	2	93,103	60,226		
Depreciation of affordable let properties	638,365	9,150	647,515	635,994		
Operating Costs for affordable letting activities	3,813,933	63,382	3,877,315	3,776,210		
Operating surplus or deficit for affordable letting activities	1,495,237	10,684	1,505,921	1,494,114		
Operating surplus or deficit or affordable letting activities for previous reporting period	1,469,773	24,341	1,494,114			

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

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 deficit for previous reporting period £
Wider role activities – Big Lottery	-	80,748	-	-	80,748	-	(64,070)	16,678	2,804
Care and repair	-	-	-	-	-	-	-	-	-
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	65,670	65,670	(178)	(60,170)	5,322	7,677
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	2,119,675	-	-	2,119,675	-	(2,003,039)	116,636	47,597
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Uncapitalised development administration costs	-	-	-	-	-	-	-	-	-
Other activities – insurance and tenant recharges	-	-	-	25,768	25,768	(2,400)	(8,360)	15,008	(793)
Total from other activities	-	2,200,423	-	91,438	2,291,861	(2,578)	(2,135,639)	153,644	57,285
Total from other activities for the previous reporting period	-	1,536,408	-	54,399	1,590,807	(4,111)	(1,529,411)		

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

5.	ACCOMMODATION IN MANAGEMENT	2016	2015
		Units	Units
	General needs housing	1,376	1,380
	Supported housing	20	20
	TOTAL UNITS IN MANAGEMENT	<u>1,396</u>	<u>1,400</u>
6.	INTEREST RECEIVABLE AND SIMILAR INCOME	2016	2015
		£	£
	Interest on bank deposits	41,396	42,015
	Amortisation of Bond Premium	6,284	-
		<u>47,680</u>	<u>42,015</u>
7.	INTEREST PAYABLE AND SIMILAR CHARGES	2016	2015
		£	£
	Interest arising on:		
	Bank loans and overdrafts	486,283	369,759
	Defined benefit pension charge	32,000	49,000
	Amortisation of issue costs of bank loan	2,890	-
		<u>521,173</u>	<u>418,759</u>
8.	OPERATING SURPLUS OR DEFICIT	2016	2015
		£	£
	Operating surplus is stated after charging/(crediting):		
	Depreciation of housing properties (note 11)	647,515	635,994
	Depreciation of other tangible fixed assets (note 12)		
	- Owned	18,088	17,173
	(Surplus)/deficit on disposal of tangible fixed assets (note 9)	52,791	52,000
	Operating lease rentals (note 23)	27,710	27,189

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

	2016	2015
	£	£
Audit services - statutory audit of the Association	11,900	13,853
<i>Other services:-</i>		
All other non-audit services	115,865	2,753

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

9. SURPLUS OR DEFICIT ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

	2016 £	2015 £
Disposal proceeds	140,916	101,342
Carrying value of fixed assets	<u>(88,125)</u>	<u>(49,341)</u>
Surplus	52,791	52,000

10. EMPLOYEES

	2016 No.	2015 No.
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:		
Administration	7	7
Housing management	14	13
Property and regeneration	3	5
	<u>24</u>	<u>25</u>

	2016 £	2015 £
Staff costs for the above persons:		
Wages and salaries	701,623	695,039
Social security costs	58,346	55,554
Other pension costs and current service cost (note 24)	194,542	179,604
Agency costs	181,941	195,764
	<u>1,136,452</u>	<u>1,125,961</u>

10. EMPLOYEES (continued)

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	1	1
£70,001 - £80,000	-	-
	<u>1</u>	<u>1</u>
	2016 £	2015 £
Aggregate emoluments for the above key management personnel (excluding pension contributions)	<u>68,678</u>	<u>67,663</u>
The emoluments of the director (excluding pension contributions)	<u>68,678</u>	<u>67,663</u>
Aggregate pension contributions in relation to the above key management personnel	<u>15,352</u>	<u>15,126</u>

No payment or fees or other remuneration was made to the Committee of Management members during the year (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

11. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting £	Total housing properties £
Cost		
1 April 2015	29,463,914	29,463,914
Additions	73,020	73,020
Works to existing properties	346,114	346,114
Disposals	(125,527)	(125,527)
	<hr/>	<hr/>
31 March 2016	29,757,521	29,757,521
Depreciation and impairment		
1 April 2015	5,183,928	5,183,928
Depreciation charged in year	647,515	647,515
Released on disposal	(37,402)	(37,402)
	<hr/>	<hr/>
31 March 2016	5,794,041	5,794,041
Net book value		
31 March 2016	<hr/>	<hr/>
	23,963,480	23,963,480
31 March 2015	<hr/>	<hr/>
	24,279,986	24,279,986

EXPENDITURE ON WORKS TO
EXISTING PROPERTIES

	2016 £	2015 £
Improvement work capitalised		
Replacement component spend capitalised	346,115	351,493
Amounts charged to income and expenditure	705,154	721,357
Total major repairs spend	<hr/>	<hr/>
	1,051,269	1,072,850

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

12. TANGIBLE FIXED ASSETS – OTHER

	Office Property £	Furniture, fixtures and Fittings £	Total £
Cost			
1 April 2015	626,985	88,411	715,397
Additions	-	14,757	14,757
Disposals	-	-	-
31 March 2016	<u>626,985</u>	<u>103,168</u>	<u>730,153</u>
Depreciation and impairment			
1 April 2015	(143,312)	(86,387)	(229,699)
Depreciation charged in year	(12,540)	(5,548)	(18,088)
Released on disposal	-	-	-
31 March 2016	<u>(155,852)</u>	<u>(91,935)</u>	<u>(247,787)</u>
Net book value			
31 March 2016	<u>471,133</u>	<u>11,233</u>	<u>482,366</u>
31 March 2015	<u>483,673</u>	<u>2,024</u>	<u>485,697</u>

13. INTANGIBLE ASSETS

	Software £
Cost	
1 April 2015	10,655
Additions	-
Disposals	-
31 March 2016	<u>10,655</u>
Amortisation	
1 April 2015	(10,577)
Charge for the year	(78)
31 March 2016	<u>(10,655)</u>
Net book value	
31 March 2016	<u>-</u>
31 March 2015	<u>78</u>

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

14. DEBTORS	2016	2015
	£	£
Amounts falling due within one year:		
Rent and service charges receivable	376,298	374,779
Less: provision for bad and doubtful debts	(193,396)	(130,590)
	<u>182,902</u>	<u>244,189</u>
Other grants receivable	-	28,734
Other debtors	151,335	25,038
Prepayments and accrued income	109,577	109,797
	<u>443,814</u>	<u>407,758</u>
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2016	2015
	£	£
Debt (note 18)	294,000	969,644
Rent and service charges received in advance	86,762	123,043
Deferred capital grants (note 17)	75,428	75,428
Trade creditors	292,476	845,943
Other taxation and social security costs	19,234	-
Other creditors	119,982	113,466
Holiday Pay Accrual	23,383	20,402
Accruals and deferred income	885,018	148,159
	<u>1,796,282</u>	<u>2,296,085</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

16.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
		2016	2015
		£	£
	Debt (note 18)	15,518,718	14,994,124
	Deferred capital grant (note 17)	3,949,756	3,972,407
		<u>19,468,474</u>	<u>18,966,528</u>

17.	DEFERRED CAPITAL GRANT		
		2016	2015
		£	£
	As at 1 April	4,047,832	4,039,281
	Grant received in the year	52,780	82,860
	Capital grant released	(75,428)	(74,309)
	As at 31 March	<u>4,025,184</u>	<u>4,047,832</u>
	Amounts to be released within one year	75,428	75,428
	Amounts to be released in more than one year	3,949,756	3,972,404
		<u>4,025,184</u>	<u>4,047,832</u>

18.	DEBT ANALYSIS - BORROWINGS		
		2016	2015
		£	£
	Creditors: amounts falling due within one year:		
	Bank loans	294,000	969,644
		<u>294,000</u>	<u>969,644</u>
	Creditors: amounts falling due after more than one year:		
	Bank loans	15,518,718	14,994,124
	Total	<u>15,812,718</u>	<u>15,963,678</u>

Bank borrowings of £15,518,718 (2015: £14,994,124) are secured against the Association's housing properties. The fixed rate for the bond is 5.193% & loan rate is libor + 1.55% margin.

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

	2016	2015
	£	£
Due within one year	294,000	969,644
Due in one year or more but less than two years	240,000	939,701
Due between two and five years	720,000	2,926,043
Due more than five years	14,558,718	11,128,380
	<u>15,812,718</u>	<u>15,963,768</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

19. PROVISIONS

	SHAPS Pension £	Total £
1 April 2015	1,518,000	1,518,000
Utilised in the year	(117,000)	(117,000)
Additional provision in year	-	-
Unwinding of discount	32,000	32,000
Reversed in year	-	-
Increase due to change in discount rate	(6,000)	(6,000)
31 March 2016	<u>1,427,000</u>	<u>1,427,000</u>

Pension

The SHAPS provision represents the net present value of the commitment to the multi-employer pension scheme in respect of past deficits.

20. SHARE CAPITAL

The Association is limited by guarantee and consequently has no share capital. Each of the Association's members agrees to contribute £1 in the event of the Association winding up.

	2016 Number	2015 Number
Number of members		
1 April 2015	227	240
Joined during the year	11	9
Left during year	(26)	(22)
31 March 2016	<u>212</u>	<u>227</u>

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

21.	RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM /(USED IN) OPERATIONS	2016	2015
		£	£
	Surplus for the year	1,238,863	1,226,685
	Adjustments for non-cash items:		
	Depreciation of tangible fixed assets	665,603	653,165
	Amortisation of capital grant	(75,248)	(74,309)
	Fair value (gains)/losses on investment properties	-	-
	Defined benefit pension schemes	-	-
	Fair value (gains)/losses on financial instruments	-	-
	(Decrease)/(increase) in provisions	(91,000)	41,000
	(Gain) on disposal of tangible fixed assets	(52,791)	(52,000)
	Interest receivable	(47,680)	(42,015)
	Interest payable	489,173	369,759
	Cancelled shares	(26)	(22)
	Taxation	-	-
	Operating cash flows before movements in working capital	2,126,894	2,122,263
	Decrease/(increase) in stock	-	-
	(Increase)/(decrease) in trade and other debtors	(36,056)	316,750
	Increase in trade and other creditors	175,831	213,845
	Cash generated from / (used in) operations	2,266,669	2,652,858
	 CASH AND CASH EQUIVALENTS		
		2016	2015
		£	£
	Cash and cash equivalents represent:-		
	Cash at bank	8,232,596	6,798,745
		8,232,596	6,798,745
22.	CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS	2016	2015
		£	£
	Expenditure authorised by the board, but not contracted	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

23. COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£	£
Amounts due:		
Within one year	25,927	27,710
Between one and five years	26,793	52,720

24. RETIREMENT BENEFITS

Scottish Housing Association Pension Scheme

Paragon Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme (SHAPS), a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum
---	-----------------------

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

Where the scheme is in deficit and where the Associate has agreed to a deficit funding arrangement the Associate recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount is recognised as a finance cost.

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

The Association has agreed to make additional deficit payments to SHAPS at the rate of £121,000 per year for 11.5 years using a discount rate based on a AA corporate rated bond for the same period. A liability based upon discounted net present value of £1,427,000 has been recognised within provisions for the contribution obligations.

	£
At 1 April 2015	1,518,000
Movement in provision	26,000
Releases in the year	<u>(117,000)</u>
At 31 March 2016	<u>1,427,000</u>

25. RELATED PARTY TRANSACTIONS

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

Flora Wallace
Michael Hesketh
Lisa Hesketh
Jean Murray
Iris Abercrombie
Moir Calder

Their tenancies are on normal commercial terms and they cannot use their positions to their advantage. During the year £18,908 (2015; £18,375) of rent was receivable from these tenant members. At the year-end there were £191 (2015:£382) of rent arrears due from these tenant members.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

26. FIRST TIME ADOPTION OF FRS102

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

A – Grant Accounting

Previously all capital grants received were netted off against the cost of housing properties. In line with FRS102 and SORP 2014 capital government grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of the housing property structure (excluding land).

B – Depreciation of Housing Properties

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in A, grants are no longer netted off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties.

C – SHAPS Pension Scheme

The Association participates in the multi-employer defined benefit Scottish Housing Association Pension Scheme (SHAPS). Under FRS102 a contractual agreement under a multi-employer defined benefit pension scheme to fund a past deficit should be accrued for as a liability discounted to net present value. As at 31 March 2015 this liability was calculated as amounting to £1,518,000.

D – Holiday Pay Accrual

FRS102 requires the Association to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the entity during the reporting period. Therefore at 31 March 2015 a provision has been made of £20,403 reflecting the value of holiday pay entitlement which had not been taken as at that date by employees.

E- Statement of Cash Flows

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

F –Intangibles

Computer software was previously categorised as a tangible assets. Under FRS 102, computer software must now be recognised as an intangible asset. All intangible assets shall be considered to have a finite useful life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but maybe shorter depending on the period over which the entity expects to use the asset.

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2016

26. FIRST TIME ADOPTION OF FRS102 (continued)

RECONCILIATION OF RESERVES - GROUP	Notes	1 April 2014 £	31 March 2015 £
Reserves as previously reported under UK GAAP		9,461,484	10,729,826
Grant Accounting	A	145,853	220,162
Depreciation	B	(145,853)	(220,162)
SHAPS Pension	C	(1,477,000)	(1,518,000)
Holiday Pay Accrual	D	(19,746)	(20,403)
Reserves reported under FRS 102		<u>7,964,738</u>	<u>9,191,423</u>

RECONCILIATION OF SURPLUS OR DEFICIT	Notes	Year ended 31 March 2015 £
Surplus or deficit as previously reported under UK GAAP		1,268,342
Grant Accounting	A	74,309
Depreciation	B	(74,309)
SHAPS Pension	C	(41,000)
Holiday Pay Accrual	D	(657)
Surplus or deficit reported under FRS 102		<u>1,226,685</u>

