
PARAGON HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Paragon Housing Association

**Management Committee, Executives and Advisers
For the year ended 31 March 2017**

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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 2017**

Management Committee

| | |
|--------------------|--|
| Michael Hesketh | Chair |
| Flora Wallace | Vice Chair |
| Susan Robertson | Treasurer |
| Helen Forrest | (Resigned September 2016 / Co-opted December 2016) |
| Jean Murray | |
| Elisabeth Campbell | |
| Iris Abercrombie | (Resigned September 2016) |
| Kenneth Earle | |
| Louisa Hesketh | |
| Moira Calder | |
| Joan Coombes | |
| Alasdair Robertson | (Co-opted December 2016) |
| Tina Murphy | (Resigned September 2016) |

Executive Officers

| | |
|-------------------|---|
| Margaret Torrance | Director |
| Linda Banks | Finance Manager (Retired 3 March 2017) |
| Wendy McCracken | Interim Finance Manager (Appointed 9 February 2017) |
| Sheelagh Norris | Housing Manager (Retired 31 May 2017) |
| William Baxter | Programme and Regeneration Manager |

Registered Office

Invergrange House
Station Road
Grangemouth
FK3 8DG

External Auditor

RSM 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
PO12 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

Report of the Management Committee For the year ended 31 March 2017

The Management Committee presents their report and audited financial statements for the year ended 31 March 2017.

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.

The Association has a clear forward strategy and progress was made during the year to drive this forward.

Development and Performance

- A new staffing structure was implemented supported by the development of a formal succession plan and recruitment of new staff
- The operation of the finance team was reviewed with independent, external support and a new structure put in place
- The implementation of a new IT system, QL, offers new opportunities for delivering services, greater efficiencies and has improved reporting capacity
- The Big Lottery Fund "Heads Up" Project was independently evaluated as project funding was due to end in 2017/18 and options were considered on how to maximise gain from the project going forward

During the year, the Management Committee developed a succession plan covering both committee membership and staff. This is involved reviewing members' forward intentions and consulting with staff on career plans and requirements for professional and personal development.

Linda Banks, Finance and Investment Manager, retired in March 2017 and an Interim Manager was put in place to allow a comprehensive recruitment process to take place in order to recruit a high calibre successor to this specialised and critical post. Linda was a member of the original management team which established the Association in 1998 and completed a series of stock transfers from Scottish Homes. Her contribution was vital in successfully establishing the organisation. The financial stability of the Association owes a great deal to her astute advice and skilful management of the finance function. Her contribution to work of the Association is greatly appreciated by the Management Committee.

Turnover in the year was £6.4 million, down from £7.7 million in the previous year as a result of a reduction in grant income. Operating surplus increased from £1.7 million to £2.8 million mainly due to the re-measurement of the SHAPS pension scheme (see Note 23 for further information).

Key aims of the Association's Succession Plan are to ensure organisational stability and business continuity. The appointment of an Interim Finance & Investment Manager has not blunted progress. Under the leadership of the Interim Finance and Investment Manager the members of the restructured finance team are well underway with implementation of the new QL Finance system and the review of processes and procedures with the clear aim of ensuring efficiency within the finance function. There is a planned handover during 2017/18 from the interim to the incoming Finance and Investment Manager.

In March 2016, a new IT system, QL, was procured. The supplier is Aareon UK, a well established supplier of IT systems to housing organisations of various sizes across the UK. The system can be tailored to the needs of the organisation and also offers a best practice implementation set up solution.

The implementation of a new IT system is challenging for most organisations. The approach taken by the Association combined QL's best practice route and configuration to meet local requirements. Effective partnership working between the Aareon team and the in house staff team with third party IT support providers, Brightridge Technologies Ltd (dealing with hardware matters), ensured Phase 1 of the system was functioning effectively within 16 weeks. Work continues through 2017/18 to implement a further 2 phases including factoring and tenant involvement modules.

During 2016/17 steps were taken to review the effectiveness of the Big Lottery funded "Paragon Advice and Support Project" (PASAP) as its funding was due to end in the first quarter of 2017/18.

The project is probably better known to everyone as "Heads Up" and it provided Association tenants with much appreciated services around financial inclusion matters. The independent evaluation of the project was very positive.

"This evaluation has found clear evidence that the Heads Up service is highly valued by Paragon tenants, and provides a high quality of advice which is externally verified and deemed to be excellent. The project staff are very well thought of and residents value their support."¹

As no additional external funding could be obtained to support the continuation of the project in its original format, other options were explored and core funding allocated from the Association's resources to fund a Tenancy Sustainment Officer post going forward. This post has been filled by a member of the Heads Up Team and retains very valuable expertise within the organisation. This builds on the excellent work of the project and will help support tenants through the ongoing challenges of welfare reform.

As at March 2017, 91.07% of the Association's properties met the Scottish Housing Quality Standard and over 73% currently meeting the EESSH standard which has a target delivery date of 2020.

The areas of non-compliance for the SHQS are where owners have not agreed 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. The small number of properties not meeting the standard due to no access being provided for heating replacement is reducing and budget is set aside to deal with these at change of tenancy or as part of the wider heating projects annually.

A major 3 year window replacement project commenced during 2016/17 with the installation of new windows and/or doors in 215 properties which will help to improve energy efficient and comfort levels for tenants.

¹ Blake Stevenson – Heads Up Evaluation – Feb 2017

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 was due for completion during 2016/17 but is delayed into 2017/18. It is based on a "turnkey" acquisition which reduces the development activity risk for the Association.

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

The Association was successful in its application for the first round of the Scottish Government's interest free HEEPS loan scheme which was opened up to housing associations for the first time during the year. The loans were administered by the Energy Savings Trust and the £ 891k awarded to the Association was the highest awarded to a housing association in this round of funding.

Future Prospects

The Association continues to operate from a stable financial and organisational base. There are a number of small scale new build projects in prospect and an empty homes purchase scheme is currently under development.

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 out. The internal audit programme for 2016/17 included a review of fraud risk in relation to procurement activities.

The 2016/17 review did not flag up any significant new risks from the 2015/16 review. Changes in the level of exposure to risk were considered and the actions taken to reduce IT risks through the procurement of a new functional housing and finance system and new disaster recovery systems were viewed to be positive factors in mitigating risk. In common with most other UK organisations and businesses, identifying the real risks from "Brexit "and how to mitigate these will be a challenge over the medium term.

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)
- Risks associated with delivering organisational change including the implementation of a new IT system
- Pension liabilities
- 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.

Internal Audit Services are currently provided by TIAA.

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2017

The Internal Audit programme for 2016/17 covered the following areas:

- Void Management
- ARC Verification
- Strategic Planning
- Procurement (Anti-Fraud)
- Payments
- Strategic Control
- Allocations and Lettings
- Gas Safety

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

The Association is a member of the Housing Associations Internal Audit Forum (HAI AF) 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) are provided to the Scottish Housing Regulator (SHR) on an annual basis. This information can be obtained from the SHR's website.

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 | 2016/17 | 2015/16 |
|---|---------|---------|
| Rent collected as percentage of total rent due in the reporting year | 101.6% | 104.74% |
| Current tenant non technical arrears as % of gross rental income | 3.09% | 3.12% |
| Average length of time taken to complete non emergency repairs. Measured in days. | 5.7 | 5.3 |
| 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 lost through properties being empty during the last year | 0.99% | 0.99% |
| Average length of time taken to re-let properties in the last year. Measured in days All lets including low demand | 37.82 | 62.16 |
| Average length of time taken to re-let properties in the last year. Measured in days Standard demand | 34.6 | 33.4 |
| Number of void properties over 6 months at year end | 1 | 0 |

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. The Chair of the Association is currently working towards an Institute of Leadership and Management (ILM) accredited course "Chairing the Committee/Board of a charity, association and co-operative". This course is being run by SHARE who provide specialist training for housing associations.

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

The SHR uses the information from the ARC and other returns to decide on the level of regulatory involvement with each Scottish Registered 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.

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.

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.

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2017

Auditor

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

By Order of the Management Committee



Position *chair*

Date *29 August 2017*

**Statement of Management Committee's Responsibilities
For the year ended 31 March 2017**

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 2017

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 2017. 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 **Chair**

Date: **29 August 2017**

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 2017**

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
Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date *13/9/17*

**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2017**

Opinion on financial statements

We have audited the financial statements of Paragon Housing Association Limited on pages 14 to 35. 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 2017 and of its income and expenditure for the year then ended
- 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.

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 <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Management Committee's Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Management Committee's Report has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Management Committee's Report.

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.

Respective responsibilities of the Management Committee and auditor

As explained more fully in the Management Committee's Responsibilities Statement set out on pages 9, the Management Committee 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.

Paragon Housing Association Limited

**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2017**

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 auditors' 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 and for the opinions we have formed.

RSM UK Audit LLP

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

Date: 13/9/17.

Paragon Housing Association Limited

Statement of Comprehensive Income
For the year ended 31 March 2017

| | | Notes | |
|--|----|-------------|-------------|
| | | 2017 £ | 2016 £ |
| TURNOVER | 2 | 6,364,796 | 7,675,097 |
| Operating expenditure | 2 | (4,269,433) | (6,015,532) |
| Remeasurement in pension scheme | 23 | 664,000 | - |
| OPERATING SURPLUS | | 2,759,363 | 1,659,565 |
| Gain or loss on sale of housing properties | 9 | 314,370 | 52,791 |
| Interest receivable | 6 | 61,995 | 47,680 |
| Interest and financing costs | 7 | (665,239) | (521,173) |
| SURPLUS BEFORE TAX | | 2,470,489 | 1,238,863 |
| Taxation | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 2,470,489 | 1,238,863 |

The results relate wholly to continuing activities.

Paragon Housing Association Limited

Statement of Financial Position
For the year ended 31 March 2017

| | Notes | 2017 £ | 2016 £ |
|---|-------|-------------------|-------------------|
| FIXED ASSETS | | | |
| Intangible assets | 13 | 111,945 | - |
| Housing properties | 11 | 24,752,557 | 23,963,480 |
| Other fixed assets | 12 | 466,495 | 482,366 |
| | | <u>25,330,997</u> | <u>24,445,846</u> |
| CURRENT ASSETS | | | |
| Trade and other debtors | 14 | 357,496 | 443,814 |
| Cash and cash equivalents | | 9,181,377 | 8,232,596 |
| | | <u>9,538,873</u> | <u>8,676,410</u> |
| CURRENT LIABILITIES | | | |
| Creditors: amounts falling due within one year | 15 | (1,425,168) | (1,796,282) |
| NET CURRENT ASSETS | | | |
| | | 8,113,705 | 6,880,128 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | <u>33,444,702</u> | <u>31,325,974</u> |
| Creditors: Amounts falling due after more than one year | 16 | (19,870,720) | (19,468,474) |
| Provisions for liabilities | | | |
| Pension provision | 23 | (673,000) | (1,427,000) |
| TOTAL NET ASSETS | | | |
| | | <u>12,900,982</u> | <u>10,430,500</u> |
| RESERVES | | | |
| Share Capital | 19 | 205 | 212 |
| Income and expenditure reserve | | 12,900,777 | 10,430,288 |
| TOTAL RESERVES | | <u>12,900,982</u> | <u>10,430,500</u> |

The financial statements were approved by the Management Committee and authorised for issue on 29 August 17 and are signed on its behalf by:



Chair:
(Michael Hesketh)



Vice Chair:
(Flora Wallace)



Secretary:
(Margaret Torrance)

Paragon Housing Association Limited

Statement of Changes in Reserves
For the year ended 31 March 2017

| | Income and expenditure reserve £ | Total £ |
|------------------------------------|---|-------------------|
| Balance at 1 April 2015 | 9,191,424 | 9,191,424 |
| Surplus / for the year | 1,238,864 | 1,238,864 |
| Balance as at 31 March 2016 | 10,430,288 | 10,430,288 |
| Surplus/ for the year | 2,470,489 | 2,470,489 |
| Balance at 31 March 2017 | 12,900,777 | 12,900,777 |

Paragon Housing Association Limited

Statement of Cashflows
For the year ended 31 March 2017

| | Notes | 2017 £ | 2016 £ |
|---|-----------|--------------------|------------------|
| Net cash generated from operating activities | 20 | 2,301,872 | 2,266,669 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of tangible fixed assets – Housing | | (1,694,545) | (419,135) |
| Purchase of Other Tangible Fixed Assets | | (189,506) | (14,757) |
| Proceeds from sale of tangible fixed assets | | 578,890 | 140,916 |
| Grants received | | - | 52,600 |
| Interest received | | 35,602 | 47,680 |
| NET CASH USED IN INVESTING ACTIVITIES | | (1,269,559) | (192,696) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Interest Received on Cash & Cash Equivalents | | | |
| Interest paid | | (631,537) | (489,173) |
| New secured loans | | 841,994 | 16,019,553 |
| Repayments of borrowings | | (294,000) | (16,170,513) |
| Issued share capital | | 11 | 11 |
| NET CASH FROM/(USED IN) FINANCING ACTIVITIES | | (83,532) | (640,122) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 948,781 | 1,433,851 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 8,232,596 | 6,798,745 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 20 | 9,181,377 | 8,232,596 |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

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.

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 was March 2015 and was on an existing use basis and was just under £27 million.

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.

1. ACCOUNTING POLICIES (continued)

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.

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 using the straight line method. Amortisation of intangible assets is included in operating 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

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 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 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.

1. ACCOUNTING POLICIES (continued)

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 scheme, 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.

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.

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

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 and other similar charges.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

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. 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 charges.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

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

| | Notes | Turnover £ | Operating costs £ | Operating surplus/(deficit) £ | Operating surplus/(deficit) £ |
|--|-------|------------------|-------------------------|-------------------------------------|-------------------------------------|
| | | | | | 2016 |
| Affordable letting activities | 3 | 5,443,289 | (3,314,860) | 2,128,429 | 1,505,921 |
| Other activities | 4 | 921,507 | (954,573) | (33,066) | 153,644 |
| | | 6,364,796 | (4,269,433) | 2,095,363 | 1,659,565 |
| Remeasurement of pension | 23 | - | 664,000 | 664,000 | - |
| Total | | 6,364,796 | (3,605,433) | 2,759,363 | 1,659,565 |
| Total for previous reporting period | | 7,675,097 | (6,015,532) | 1,659,565 | |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

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

| | General Needs Social | | Supported Social Housing Accommodation | | Total 2017 | Total 2016 |
|--|----------------------|---|--|------------------|------------------|------------|
| | £ | £ | £ | £ | £ | £ |
| Rent receivable net of service charges | 5,278,596 | - | 72,642 | 5,351,238 | 5,269,809 | - |
| Service charges | - | - | - | - | - | - |
| Gross income from rents and service charges | 5,278,596 | - | 72,642 | 5,351,238 | 5,269,809 | - |
| Less voids | (51,469) | - | (121) | (51,590) | (29,035) | - |
| Net income from rents and service charges | 5,227,127 | - | 72,521 | 5,299,648 | 5,240,774 | - |
| Grants released from deferred income | 75,906 | - | - | 75,906 | 75,248 | - |
| Revenue grants from Scottish Ministers | 67,735 | - | - | 67,735 | 67,214 | - |
| Other revenue grants | - | - | - | - | - | - |
| Total turnover from affordable letting activities | 5,370,768 | - | 72,521 | 5,443,289 | 5,383,236 | - |
| Management and maintenance administration costs | 1,444,411 | - | 13,455 | 1,457,866 | 1,509,035 | - |
| Service costs | - | - | - | - | - | - |
| Planned and cyclical maintenance including major repairs costs | 399,564 | - | 7,378 | 406,942 | 881,914 | - |
| Reactive maintenance costs | 773,079 | - | 8,998 | 782,077 | 745,748 | - |
| Bad debts - rents and service charges | 27,026 | - | - | 27,026 | 93,103 | - |
| Depreciation of affordable let properties | 632,831 | - | 8,118 | 640,949 | 647,515 | - |
| Operating Costs for affordable letting activities | 3,276,911 | - | 37,949 | 3,314,860 | 3,877,315 | - |
| Operating surplus for affordable letting activities | 2,093,857 | - | 34,572 | 2,128,429 | 1,505,921 | - |
| Operating surplus for affordable letting activities for previous reporting period | 1,495,237 | - | 10,684 | 1,505,921 | - | - |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

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

| | Grants | | 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 |
|--|-------------------------|------------------|----------------------|--------------------------|---------------|------------------|---------------------------|-----------------------|------------------------------|--|
| | From Scottish Ministers | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities – Big Lottery | - | 94,253 | - | - | - | 94,253 | - | (94,253) | - | 16,678 |
| Factoring | - | - | - | - | 26,971 | 26,971 | - | (25,466) | 1,505 | 5,322 |
| Contracted out services undertaken for other organisations | - | - | - | - | - | - | - | - | - | 116,636 |
| Other sundry activities | - | 799,033 | - | - | 716 | 799,749 | - | (834,320) | (34,571) | - |
| Other activities – insurance and tenant recharges | - | - | - | - | 534 | 534 | - | (534) | - | 15,008 |
| Total from other activities | - | 893,286 | - | - | 28,221 | 921,507 | - | (954,573) | (33,066) | 153,644 |
| Total from other activities for the previous reporting period | - | 2,200,423 | - | - | 91,438 | 2,291,861 | (2,578) | (2,135,639) | 153,644 | |

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

| | | | |
|----|----------------------------------|--------------|--------------|
| 5. | ACCOMMODATION IN MANAGEMENT | | |
| | | 2017 | 2016 |
| | | Units | Units |
| | General needs housing | 1,357 | 1,375 |
| | Supported housing | 21 | 21 |
| | TOTAL UNITS IN MANAGEMENT | 1,378 | 1,396 |

| | | | |
|----|--|---------------|---------------|
| 6. | INTEREST RECEIVABLE AND SIMILAR INCOME | | |
| | | 2017 | 2016 |
| | | £ | £ |
| | Interest on bank deposits | 35,602 | 41,396 |
| | Adjustment to effective interest rate | 26,393 | 6,284 |
| | | 61,995 | 47,680 |

| | | | |
|----|--|----------------|----------------|
| 7. | INTEREST PAYABLE AND SIMILAR CHARGES | | |
| | | 2017 | 2016 |
| | | £ | £ |
| | Interest arising on: | | |
| | Bank loans and overdrafts | 631,537 | 486,283 |
| | Defined benefit pension charge | 31,000 | 32,000 |
| | Amortisation of issue costs of bank loan | 2,702 | 2,890 |
| | | 665,239 | 521,173 |

| | | | |
|----|---|-------------|-------------|
| 8. | OPERATING SURPLUS OR DEFICIT | | |
| | | 2017 | 2016 |
| | | £ | £ |
| | Operating surplus is stated after charging: | | |
| | Depreciation of housing properties (note 11) | 640,951 | 647,515 |
| | Depreciation of other tangible fixed assets (note 12) | | |
| | - Owned | 93,432 | 18,088 |
| | Surplus on disposal of tangible fixed assets (note 9) | 314,370 | 52,791 |
| | Operating lease rentals (note 22) | 25,927 | 27,710 |

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

| | | | |
|--|---|-------------|-------------|
| | | 2017 | 2016 |
| | | £ | £ |
| | Audit services - statutory audit of the Association | 14,652 | 11,900 |
| | <i>Other services:-</i> | | |
| | All other non-audit services | - | 115,865 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

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

| | 2017 £ | 2016 £ |
|--------------------------------|----------------|---------------|
| Disposal proceeds | 578,890 | 140,916 |
| Carrying value of fixed assets | (264,520) | (88,125) |
| Surplus | <u>314,370</u> | <u>52,791</u> |

10. EMPLOYEES

| | 2017 No. | 2016 No. |
|--|-------------|-------------|
| The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was: | | |
| Administration | 8 | 7 |
| Housing management | 13 | 14 |
| Property and regeneration | 3 | 3 |
| | <u>24</u> | <u>24</u> |

| | 2017 £ | 2016 £ |
|--|------------------|------------------|
| Staff costs for the above persons: | | |
| Wages and salaries | 830,633 | 701,623 |
| Social security costs | 84,640 | 58,346 |
| Other pension costs and current service cost (note 23) | 201,253 | 194,542 |
| Agency costs | 65,939 | 181,941 |
| | <u>1,182,465</u> | <u>1,136,452</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 | <u>1</u> | <u>1</u> |
| | 2017 £ | 2016 £ |
| Aggregate emoluments of key management personnel (excluding pension contributions) | <u>231,247</u> | <u>229,572</u> |
| The emoluments of the director (excluding pension contributions) | <u>69,365</u> | <u>68,678</u> |
| Aggregate pension contributions in relation to the above key management personnel | <u>8,532</u> | <u>8,447</u> |

No payment or fees or other remuneration was made to the Committee of Management members during the year (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

11. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

| | Social housing properties held for letting £ | Total housing properties £ |
|------------------------------------|---|----------------------------------|
| Cost | | |
| 1 April 2016 | 29,757,521 | 29,757,521 |
| Additions | - | - |
| Works to existing properties | 1,694,545 | 1,694,545 |
| Disposals | (360,555) | (360,555) |
| | <u>31,091,511</u> | <u>31,091,511</u> |
| 31 March 2017 | <u>31,091,511</u> | <u>31,091,511</u> |
| Depreciation and impairment | | |
| 1 April 2016 | 5,794,041 | 5,794,041 |
| Depreciation charged in year | 640,951 | 640,951 |
| Released on disposal | (96,038) | (96,038) |
| | <u>6,338,954</u> | <u>6,338,954</u> |
| 31 March 2017 | <u>6,338,954</u> | <u>6,338,954</u> |
| Net book value | | |
| 31 March 2017 | <u>24,752,557</u> | <u>24,752,557</u> |
| 31 March 2016 | <u>23,963,480</u> | <u>23,963,480</u> |

EXPENDITURE ON WORKS TO
EXISTING PROPERTIES

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Improvement work capitalised | | |
| Replacement component spend capitalised | 1,694,545 | 346,115 |
| Amounts charged to income and expenditure | 172,921 | 705,154 |
| Total major repairs spend | <u>1,867,466</u> | <u>1,051,269</u> |
| | 2017 | 2016 |
| | £ | £ |
| Value of Land included in costs | <u>6,059,615</u> | <u>6,115,418</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

12. TANGIBLE FIXED ASSETS – OTHER

| | Office Property £ | Furniture, fixtures and Fittings £ | Total £ |
|------------------------------------|----------------------|--|------------------|
| Cost | | | |
| 1 April 2016 | 626,985 | 103,168 | 730,153 |
| Additions | - | 2,592 | 2,592 |
| Disposals | - | - | - |
| 31 March 2017 | <u>626,985</u> | <u>105,760</u> | <u>732,745</u> |
| Depreciation and impairment | | | |
| 1 April 2016 | (155,852) | (91,935) | (247,787) |
| Depreciation charged in year | (12,540) | (5,923) | (18,463) |
| Released on disposal | - | - | - |
| 31 March 2017 | <u>(168,392)</u> | <u>(97,858)</u> | <u>(266,250)</u> |
| Net book value | | | |
| 31 March 2017 | <u>458,593</u> | <u>7,902</u> | <u>466,495</u> |
| 31 March 2016 | <u>471,113</u> | <u>11,233</u> | <u>482,366</u> |
| | Software £ | | |

13. INTANGIBLE ASSETS

| | |
|-----------------------|-----------------|
| Cost | |
| 1 April 2016 | 10,655 |
| Additions | 186,914 |
| Disposals | - |
| 31 March 2017 | <u>197,569</u> |
| Amortisation | |
| 1 April 2016 | (10,655) |
| Charge for the year | (74,969) |
| 31 March 2017 | <u>(85,624)</u> |
| Net book value | |
| 31 March 2017 | <u>111,945</u> |
| 31 March 2016 | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

| | | | |
|-----|---|------------------|------------------|
| 14. | DEBTORS | 2017 £ | 2016 £ |
| | Amounts falling due within one year: | | |
| | Rent and service charges receivable | 345,744 | 376,298 |
| | Less: provision for bad and doubtful debts | (172,872) | (193,396) |
| | | 172,872 | 182,902 |
| | Other debtors | 77,231 | 151,335 |
| | Prepayments and accrued income | 107,393 | 109,577 |
| | | 357,496 | 443,814 |
| 15. | CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2017 £ | 2016 £ |
| | Debt (note 18) | 339,673 | 294,000 |
| | Rent and service charges received in advance | 158,536 | 86,762 |
| | Deferred capital grants (note 17) | 75,906 | 75,428 |
| | Trade creditors | 386,919 | 292,476 |
| | Other taxation and social security costs | 23,522 | 19,234 |
| | Other creditors | 182,714 | 119,982 |
| | Holiday Pay Accrual | 25,523 | 23,383 |
| | Accruals and deferred income | 232,375 | 885,018 |
| | | 1,425,168 | 1,796,282 |
| 16. | CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 2017 £ | 2016 £ |
| | Debt (note 18) | 15,997,348 | 15,518,718 |
| | Deferred capital grant (note 17) | 3,873,372 | 3,949,756 |
| | | 19,870,720 | 19,468,474 |
| 17. | DEFERRED CAPITAL GRANT | 2017 £ | 2016 £ |
| | As at 1 April 2016 | 4,025,184 | 4,047,832 |
| | Grant received in the year | - | 52,780 |
| | Capital grant released | (75,906) | (75,428) |
| | As at 31 March 2017 | 3,949,278 | 4,025,184 |
| | Amounts to be released within one year | 75,906 | 75,428 |
| | Amounts to be released in more than one year | 3,873,372 | 3,949,756 |
| | | 3,949,278 | 4,025,184 |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

18. DEBT ANALYSIS – BORROWINGS

| | 2017 £ | 2016 £ |
|--|-------------------|-------------------|
| Creditors: amounts falling due within one year: | | |
| Bank loans | 339,673 | 294,000 |
| | <u>339,673</u> | <u>294,000</u> |
| Creditors: amounts falling due after more than one year: | | |
| Bank loans | 15,997,348 | 15,518,718 |
| Total | <u>16,337,021</u> | <u>15,812,718</u> |

Bank borrowings of £16,337,021 (2016: £15,812,718) are secured against the Association's housing properties. The fixed rate for the bond is 5.193%, RBS loan rate is LIBOR + 1.55% margin and Energy Saving Trust Loan is interest free.

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

| | 2017 £ | 2016 £ |
|---|-------------------|-------------------|
| Due within one year | 339,673 | 294,000 |
| Due in one year or more but less than two years | 361,228 | 240,000 |
| Due between two and five years | 1,083,684 | 720,000 |
| Due more than five years | 14,552,436 | 14,558,718 |
| | <u>16,337,021</u> | <u>15,812,718</u> |

19. SHARE CAPITAL

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

| | 2017 No. | 2016 No. |
|------------------------|-------------|-------------|
| Number of members | | |
| 1 April | 212 | 227 |
| Joined during the year | 11 | 11 |
| Left during year | (18) | (26) |
| 31 March | <u>205</u> | <u>212</u> |

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

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

| | 2017 | 2016 |
|---|------------------|------------------|
| | £ | £ |
| Surplus for the year | 2,470,489 | 1,238,863 |
| Adjustments for non-cash items: | | |
| Depreciation of tangible fixed assets | 734,381 | 665,603 |
| Amortisation of capital grant | (75,906) | (75,248) |
| (Decrease) in provisions | (805,524) | (91,000) |
| (Gain) on disposal of tangible fixed assets | (314,370) | (52,791) |
| Interest receivable | (61,995) | (47,680) |
| Interest payable | 665,239 | 489,173 |
| Cancelled shares | (18) | (26) |
| Operating cash flows before movements in working capital | <u>2,612,296</u> | <u>2,126,894</u> |
| Decrease/(increase) in stock | - | - |
| Decrease)/(increase) in trade and other debtors | 106,842 | (36,056) |
| (Decrease)/increase in trade and other creditors | (417,266) | 175,831 |
| Cash generated from / (used in) operations | <u>2,301,872</u> | <u>2,266,669</u> |

CASH AND CASH EQUIVALENTS

| | 2017 | 2016 |
|---------------------------------------|------------------|------------------|
| | £ | £ |
| Cash and cash equivalents represent:- | | |
| Cash at bank | 9,181,377 | 8,232,596 |
| | <u>9,181,377</u> | <u>8,232,596</u> |

21. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS

| | 2017 | 2016 |
|---|------|------|
| | £ | £ |
| Expenditure authorised by the board, but not contracted | Nil | Nil |

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

22. COMMITMENTS UNDER OPERATING LEASES

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

| | 2017 | 2016 |
|----------------------------|---------------|---------------|
| | £ | £ |
| Amounts due: | | |
| Within one year | 21,435 | 25,927 |
| Between one and five years | 5,359 | 26,793 |
| | <u>26,794</u> | <u>52,720</u> |

23. 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 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. 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 2017 to 28 February 2022: | £25,735,902 per annum (payable monthly, Increasing by 3% each 1 April) |
|--|---|

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2017

23. RETIREMENT BENEFITS (continued)

| | 31 March 2017 £ | 31 March 2016 £ |
|---|------------------------------------|------------------------------------|
| Present value of provisions | | |
| Present value of provision | 673,000 | 1,427,000 |
| Reconciliation of opening and closing provisions | | |
| Provision at start of period | 1,427,000 | 1,518,000 |
| Unwinding of the discount factor (interest expense) | 31,000 | 32,000 |
| Deficit contribution paid | (121,000) | (117,000) |
| Re-measurements – impact of any change in assumptions | 20,000 | (6,000) |
| Re-measurements – amendments to the contribution schedule | (684,000) | - |
| Provision at end of period | <u>673,000</u> | <u>1,427,000</u> |
| Income and expenditure impact | | |
| Interest expense | 31,000 | 32,000 |
| Re-measurements – impact of any change in assumptions | 20,000 | (6,000) |
| Re-measurements – amendments to the contribution schedule | (684,000) | - |
| | <u> </u> | <u> </u> |
| | % | % |
| | Per annum | Per annum |
| Rate of discount | <u>1.06</u> | <u>2.29</u> |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

24. RELATED PARTY TRANSACTIONS

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

Flora Wallace
 Michael Hesketh
 Louisa Hesketh
 Jean Murray
 Iris Abercrombie

Their tenancies are on normal commercial terms and they cannot use their positions to their advantage. During the year £12,857 (2016: £18,908) of rent was receivable from these tenant members. At the year end there were £268 (2016: £191) of rent arrears due from these tenant members.