
PARAGON HOUSING ASSOCIATION LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

Paragon Housing Association

Management Committee, Executives and Advisers For the year ended 31 March 2018

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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 2018

Management Committee

Michael Hesketh	Chair
Flora Wallace	Joint Vice Chair
June Anderson	Joint Vice Chair
Susan Robertson	Treasurer
Jean Murray	
Elisabeth Campbell	
Moira Calder	
Louisa Hesketh	
Allyson Black	Appointed 24 January 2018
Joan Coombes	Resigned 15 September 2017
Kenneth Earle	Resigned 15 June 2017
Alastair Robertson	Resigned 27 January 2018
Helen Forest	Resigned 20 September 2017

Executive Officers

Margaret Torrance	Director
Pamela Milne	Finance & Investment Manager (Appointed 11 September 2017)
William Baxter	Programme and Regeneration Manager
Evelyn Mathershaw	Interim Housing 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
Artillery House
Fort Fareham Industrial Estate
Newgate Lane
Fareham
PO14 1AH

Bankers

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

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

Solicitors

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

Paragon Housing Association

Report of the Management Committee For the year ended 31 March 2018

The Management Committee presents their report and audited financial statements for the year ended 31 March 2018.

Principal Activities

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

Objectives

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

Strategy for Achieving Objectives

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

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

Development and Performance

- Approved a Development Strategy reflecting the Association's prudent growth plans
- Procured 14 new housing units Gold Standard Energy Efficiency, developed through a volumetric building system
- Introduced a stock acquisition policy Buy Back on Open Market (BBOOM) resulting in the procurement of 5 units
- Appointed a new Finance and Investment Manager to join the Management Team
- With the assistance of the Tenant Scrutiny Group major exercise was taken to tender the JRW Repairs and Gas Maintenance contracts

Queen Street, Alva Development

This innovative project saw 48 units built to the Gold Energy Efficiency Standard on the site with 14 of these new units being acquired by the Association on a turnkey basis from the Link Group in September 2017.

Cadzow Ave, Bo'ness

During the year the Association again worked in partnership with the Link Group on a new development project in Bo'ness. In June 2018, 21 units were acquired by the Association on a turnkey basis.

BBOOM – Buy Back Open Market

A Buy Back policy was developed during the year and 5 units were acquired with HAG funding assistance. This policy allows the Association to acquire properties which achieve specific strategic aims such as meeting the Scottish Housing Quality Standard in multi tenure blocks or meeting a particular type of housing demand.

SHQS & EESSH

As at March 2018, 90.97% of the Association’s properties met the Scottish Housing Quality Standard (SHQS) and over 78% are currently meeting the Energy Efficiency Standard Social Housing (EESSH) which has a target delivery date of December 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 (5 in total) are not meeting the standard due to no access being provided for heating replacement. The number 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, based on a framework agreement, commenced during 2016/17 and continued during 2017/18. This has resulted in the installation of new windows and/or doors in 220 properties in 2017/18. This will help to improve energy efficiency and comfort levels for tenants. Early feedback has been very positive from tenants.

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 in the Kerse and Holbourne estates.

JRW Repairs & Gas Maintenance Contracts

A tendering exercise was carried out during 2017/18 for the JRW Repairs and Gas Maintenance Contracts. As part of this exercise a suite of performance KPI’s were developed with input from the Tenant Scrutiny Group.

From 1st April 2018 The McDougall Group were appointed as JRW Repairs Contractors and City Technical Services were appointed as Gas Contractors.

Future Prospects

The Association continues to operate from a stable financial and organisational base. Development activities and buy backs continue to support planned growth. Future financial plans set out a programme of £11 million of stock investment over the next 5 years.

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 Fraud and Bribery Policy was reviewed by the Management Committee during the year.

The 2017/18 Risk Review did not flag up any significant new risks from the 2016/17 review. 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)
•	Pension liabilities
•	Ensuring compliance with regulatory standards
•	Risks associated with undertaking development activities

Paragon Housing Association Limited
Report of the Management Committee (continued)
For the year ended 31 March 2018

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 (IA) services are currently provided by TIAA.

The IA programme for 2017/18 covered the following areas:

- Planned Maintenance and Investment
- Reactive Repairs
- Rent Setting and Collection

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 (HAIAF) and uses this membership to support its internal audit activities.

Governance

Paragon Housing Association Limited 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.

Officers of the Association are actively involved in the wider national housing movement with the Chair serving on the Executive Committee of SHARE and a Vice Chair serving on the Executive Committee of Employers in Voluntary Housing.

RSM UK Audit LLP were re-appointed auditors to the Association at the Annual General Meeting in September 2017.

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 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.

The organisation remains financially stable. This view is supported by the most recent review of the annual, 5 year and 30 year cash flow projections. 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.

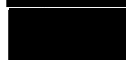
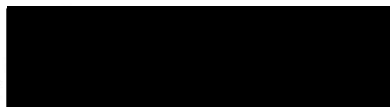
Auditor

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

Chair

Date



Paragon Housing Association Limited

Statement of Management Committee's Responsibilities For the year ended 31 March 2018

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 2018**

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 2018. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.

By Order of the Management Committee

Chair



Date:



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 2018**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 8 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 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



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

Date



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**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2018**

Opinion

We have audited the financial statements of Paragon Housing Association Ltd (the 'Association') for the year ended 31 March 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, and Statement of Cashflows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Committee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- 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.

**Independent Auditor's Report to the Members of Paragon Housing Association Limited
For the year ended 31 March 2018**

Responsibilities of the Committee

As explained more fully in the Committee's responsibilities statement set out on page 7, the Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of Our Report

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



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

Date:



Paragon Housing Association Limited

Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 £	2017 £
TURNOVER	2	5,717,554	6,364,796
Operating expenditure	2	(4,343,526)	(4,269,433)
Remeasurement in pension scheme	23	5,000	664,000
OPERATING SURPLUS		1,379,028	2,759,363
Gain on sale of housing properties	9	12,522	314,370
Interest receivable	6	26,091	61,995
Interest and financing costs	7	(602,698)	(665,239)
SURPLUS BEFORE TAX		814,943	2,470,489
Taxation		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		814,943	2,470,489

The results relate wholly to continuing activities.



Paragon Housing Association Limited

Statement of Financial Position
For the year ended 31 March 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Intangible assets	13	56,586	111,945
Housing properties	11	26,496,450	24,752,557
Other fixed assets	12	464,637	466,495
		<u>27,017,673</u>	<u>25,330,997</u>
CURRENT ASSETS			
Trade and other debtors	14	530,931	357,496
Cash and cash equivalents		8,800,493	9,181,377
		<u>9,331,424</u>	<u>9,538,873</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	15	(2,506,881)	(1,425,168)
NET CURRENT ASSETS			
		<u>6,824,543</u>	<u>8,113,705</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>33,842,216</u>	<u>33,444,702</u>
Creditors: Amounts falling due after more than one year	16	(19,584,304)	(19,870,720)
Provisions for liabilities			
Pension provision	23	(542,000)	(673,000)
TOTAL NET ASSETS			
		<u>13,715,912</u>	<u>12,900,982</u>
RESERVES			
Share Capital	19	192	205
Income and expenditure reserve		13,715,720	12,900,777
TOTAL RESERVES		<u>13,715,912</u>	<u>12,900,982</u>

The financial statements were approved by the Management Committee and authorised for issue on . . . 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 2018**

	Income and expenditure reserve £
Balance at 1 April 2016	10,430,288
Surplus / for the year	<u>2,470,489</u>
Balance as at 31 March 2017	<u>12,900,777</u>
Surplus/ for the year	<u>814,943</u>
Balance at 31 March 2018	<u>13,715,720</u>

Paragon Housing Association Limited

**Statement of Cashflows
For the year ended 31 March 2018**

	Notes	2018 £	2017 £
Net cash generated from operating activities	20	2,890,197	2,301,872
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets – Housing		(2,478,062)	(1,694,545)
Purchase of Other Tangible Fixed Assets		(37,493)	(189,506)
Proceeds from sale of tangible fixed assets		51,482	578,890
Grants received		125,000	-
Interest received		26,091	35,602
NET CASH USED IN INVESTING ACTIVITIES		(2,312,982)	(1,269,559)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest Received on Cash & Cash Equivalents			
Interest paid		(640,738)	(631,537)
New secured loans		-	841,994
Repayments of borrowings		(317,375)	(294,000)
Issued share capital		14	11
NET CASH USED IN FINANCING ACTIVITIES		(958,099)	(83,532)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(380,884)	948,781
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		9,181,377	8,232,596
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	8,800,493	9,181,377

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

1. ACCOUNTING POLICIES

LEGAL STATUS

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

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

The Association's principal activity is the provision of social rented accommodation. The nature of the Association's operations 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 2015, 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

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 2018

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

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 2018

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 2018

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

	Notes	Turnover £	Operating costs £	Operating surplus/(deficit) £	2018 Operating surplus/(deficit) £	2017 Operating surplus/(deficit) £
Affordable letting activities	3	5,555,248	(4,181,220)	1,374,028	1,374,028	2,128,429
Other activities	4	162,306	(162,306)	-	-	(33,066)
Remeasurement of pension	23	5,717,554	(4,343,526)	1,374,028	1,374,028	2,095,363
Total		5,717,554	(4,338,526)	1,379,028	1,379,028	2,759,363
Total for previous reporting period		6,364,796	(3,605,433)	2,759,363	2,759,363	

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES	General Needs Social		Supported Social Housing Accommodation		Total	
	Housing	£	Housing	£	2018	2017
Rent receivable net of service charges	5,393,344		74,971		5,468,315	5,351,238
Service charges	-		-		-	-
Gross income from rents and service charges	5,393,344		74,971		5,468,315	5,351,238
Less voids	(50,337)		(557)		(50,894)	(51,590)
Net income from rents and service charges	5,343,007		74,414		5,417,421	5,299,648
Grants released from deferred income	78,681		-		78,681	75,906
Revenue grants from Scottish Ministers	59,146		-		59,146	67,735
Other revenue grants	-		-		-	-
Total turnover from affordable letting activities	5,480,834		74,414		5,555,248	5,443,289
Management and maintenance administration costs	1,593,744		27,028		1,620,772	1,457,866
Service costs	-		-		-	-
Planned and cyclical maintenance including major repairs costs	1,229,188		4,405		1,233,593	406,942
Reactive maintenance costs	565,664		12,146		577,810	782,077
Bad debts - rents and service charges	53,835		-		53,835	27,026
Depreciation of affordable let properties	684,752		10,458		695,210	640,949
Operating Costs for affordable letting activities	4,127,183		54,037		4,181,220	3,314,860
Operating surplus for affordable letting activities	1,353,651		20,377		1,374,028	2,128,429
Operating surplus for affordable letting activities for previous reporting period	2,093,857		34,572		2,128,429	

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

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	-	14,268	-	-	-	14,268	-	(14,268)	-	-
Factoring	-	-	-	76,031	-	76,031	-	(76,031)	-	1,505
Contracted out services undertaken for other organisations	-	-	-	-	-	-	-	-	-	-
Other sundry activities	-	55,831	-	-	-	55,831	-	(55,831)	-	(34,571)
Other activities – insurance and tenant recharges	-	-	-	16,176	-	16,176	-	(16,176)	-	-
Total from other activities	-	70,099	-	92,207	-	162,306	-	(162,306)	-	(33,066)
Total from other activities for the previous reporting period	-	893,286	-	28,221	-	921,507	-	(954,573)	-	(33,066)

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

5.	ACCOMMODATION IN MANAGEMENT	2018 Units	2017 Units
	General needs housing	1,375	1,357
	Supported housing	21	21
	TOTAL UNITS IN MANAGEMENT	1,396	1,378
6.	INTEREST RECEIVABLE AND SIMILAR INCOME	2018 £	2017 £
	Interest on bank deposits	26,091	35,602
	Adjustment to effective interest rate	-	26,393
		26,091	61,995
7.	INTEREST PAYABLE AND SIMILAR CHARGES	2018 £	2017 £
	Interest arising on:		
	Bank loans and overdrafts	640,738	631,537
	Adjustment to effective interest rate	(44,040)	-
	Defined benefit pension charge	6,000	31,000
	Amortisation of issue costs of bank loan	-	2,702
		602,698	665,239
8.	OPERATING SURPLUS	2018 £	2017 £
	Operating surplus is stated after charging:		
	Depreciation of housing properties (note 11)	695,210	640,951
	Depreciation: Other tangible fixed assets (note 12)	24,667	18,463
	Amortisation of intangible assets (note 13)	70,043	74,969
	Surplus on disposal of tangible fixed assets (note 9)	12,522	314,370
	Operating lease rentals	25,394	25,927
		25,394	25,927
	Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
		2018 £	2017 £
	Audit services - statutory audit of the Association	15,240	14,652
		15,240	14,652

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

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

	2018 £	2017 £
Net disposal proceeds	51,482	578,890
Carrying value of fixed assets	(38,960)	(264,520)
Surplus	<u>12,522</u>	<u>314,370</u>

10. EMPLOYEES

	2018 No.	2017 No.
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:		
Administration	7	8
Housing management	13	13
Property and regeneration	3	3
	<u>23</u>	<u>24</u>

	2018 £	2017 £
Staff costs for the above persons:		
Wages and salaries	768,312	830,633
Social security costs	80,305	84,640
Other pension costs and current service cost (note 23)	197,145	201,253
Agency costs	164,827	65,939
	<u>1,210,589</u>	<u>1,182,465</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.
£70,000 - £80,000	<u>1</u>	<u>1</u>
	2018 £	2017 £
Aggregate emoluments of key management personnel (excluding pension contributions)	<u>215,941</u>	<u>231,247</u>
The emoluments of the director (excluding pension contributions)	<u>70,648</u>	<u>69,365</u>
Aggregate pension contributions in relation to the above key management personnel	<u>8,902</u>	<u>8,532</u>

No payment or fees or other remuneration was made to the Committee of Management members during the year (2017: £Nil).

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

11. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Social housing properties held for letting
Cost	
1 April 2017	31,091,511
Additions	1,201,687
Works to existing properties	1,276,376
Disposals	<u>(161,126)</u>
31 March 2018	<u>33,408,448</u>
Depreciation and impairment	
1 April 2017	6,338,954
Depreciation charged in year	695,210
Released on disposal	<u>(122,166)</u>
31 March 2018	<u>6,911,998</u>
Net book value	
31 March 2018	<u>26,496,450</u>
31 March 2017	<u>24,752,557</u>

EXPENDITURE ON WORKS TO
EXISTING PROPERTIES

	2018 £	2017 £
Improvement work capitalised		
Replacement component spend capitalised	1,276,376	1,694,545
Amounts charged to income and expenditure	149,940	172,921
Total major repairs spend	<u>1,426,316</u>	<u>1,867,466</u>
	2018 £	2017 £
Value of Land included in costs	<u>6,226,070</u>	<u>6,059,615</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

12. TANGIBLE FIXED ASSETS – OTHER

	Office Property £	Furniture, fixtures and Fittings £	Total £
Cost			
1 April 2017	626,985	105,760	732,745
Additions	-	22,809	22,809
Disposals	-	-	-
31 March 2018	<u>626,985</u>	<u>128,569</u>	<u>755,554</u>
Depreciation and impairment			
1 April 2017	(168,392)	(97,858)	(266,250)
Depreciation charged in year	(12,540)	(12,127)	(24,667)
Released on disposal	-	-	-
31 March 2018	<u>(180,932)</u>	<u>(109,985)</u>	<u>(290,917)</u>
Net book value			
31 March 2018	<u>446,053</u>	<u>18,584</u>	<u>464,637</u>
31 March 2017	<u>458,593</u>	<u>7,902</u>	<u>466,495</u>

13. INTANGIBLE ASSETS

	Software £
Cost	
1 April 2017	197,569
Additions	14,684
Disposals	-
31 March 2018	<u>212,253</u>
Amortisation	
1 April 2017	(85,624)
Charge for the year	(70,043)
31 March 2018	<u>(155,667)</u>
Net book value	
31 March 2018	<u>56,586</u>
31 March 2017	<u>111,945</u>

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

14.	DEBTORS	2018 £	2017 £
	Amounts falling due within one year:		
	Rent and service charges receivable	326,736	345,744
	Less: provision for bad and doubtful debts	(150,872)	(172,872)
		175,864	172,872
	Other debtors	45,860	77,231
	Prepayments and accrued income	309,207	107,393
		530,931	357,496
15.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2018 £	2017 £
	Debt (note 18)	308,218	339,673
	Rent and service charges received in advance	295,679	158,536
	Deferred capital grants (note 17)	78,681	75,906
	Trade creditors	1,339,174	386,919
	Other taxation and social security costs	17,485	23,522
	Other creditors	281,847	182,714
	Holiday pay accrual	19,685	25,523
	Accruals and deferred income	166,112	232,375
		2,506,881	1,425,168
16.	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2018 £	2017 £
	Debt (note 18)	15,667,388	15,997,348
	Deferred capital grant (note 17)	3,916,916	3,873,372
		19,584,304	19,870,720
17.	DEFERRED CAPITAL GRANT	2018 £	2017 £
	As at 1 April 2017	3,949,278	4,025,184
	Grant received in the year	125,000	-
	Capital grant released	(78,681)	(75,906)
	As at 31 March 2018	3,995,597	3,949,278
	Amounts to be released within one year	78,681	75,906
	Amounts to be released in more than one year	3,916,916	3,873,372
		3,995,597	3,949,278

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

18. DEBT ANALYSIS – BORROWINGS

	2018 £	2017 £
Creditors: amounts falling due within one year:		
Bank loans	308,218	339,673
	<u>308,218</u>	<u>339,673</u>
Creditors: amounts falling due after more than one year:		
Bank loans	15,667,388	15,997,348
Total	<u>15,975,606</u>	<u>16,337,021</u>

Bank borrowings of £15,975,606 (2017: £16,337,021) 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 the Energy Saving Trust Loan is interest free.

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

	2018 £	2017 £
Due within one year	308,128	339,673
Due in one year or more but less than two years	324,398	361,228
Due between two and five years	973,194	1,083,684
Due more than five years	14,369,886	14,552,436
	<u>15,975,606</u>	<u>16,337,021</u>

19. SHARE CAPITAL

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

	2018 No.	2017 No.
Number of members		
1 April	205	212
Joined during the year	14	11
Left during year	(27)	(18)
31 March	<u>192</u>	<u>205</u>

Paragon Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2018

20.	RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM / (USED IN) OPERATIONS	2018	2017
		£	£
	Surplus for the year	814,943	2,470,489
	Adjustments for non-cash items:		
	Depreciation of tangible fixed assets	789,920	734,381
	Amortisation of capital grant	(78,681)	(75,906)
	(Decrease) in provisions	(131,000)	(805,524)
	(Gain) on disposal of tangible fixed assets	(12,522)	(314,370)
	Interest receivable	(26,091)	(61,995)
	Interest payable	596,698	665,239
	Cancelled shares	(27)	(18)
	Operating cash flows before movements in working capital	1,953,240	2,612,296
	Decrease/(increase) in stock	-	-
	Decrease/(increase) in trade and other debtors	(173,435)	106,842
	(Decrease)/increase in trade and other creditors	1,110,392	(417,266)
	Cash generated from / (used in) operations	2,890,197	2,301,872
	CASH AND CASH EQUIVALENTS		
		2018	2017
		£	£
	Cash and cash equivalents represent:-		
	Cash at bank	8,800,493	9,181,377
21.	CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS	2018	2017
		£	£
	Expenditure authorised by the board, but not contracted	Nil	Nil
22.	COMMITMENTS UNDER OPERATING LEASES		
	The total future minimum lease payments under non-cancellable operating leases are as follows:		
		2018	2017
	Amounts due:	£	£
	Within one year	13,852	21,435
	Between one and five years	6,370	5,359
		20,222	26,794

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

23. RETIREMENT BENEFITS

Scottish Housing Association Pension Scheme

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

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 Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

Unless a concession has been agreed with the Trustee the term to 28 February 2022 applies.

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 company has agreed to a deficit funding arrangement the company 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 rate is recognised as a finance cost.

	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Present value of provision	542	673	1,427

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

23. RETIREMENT BENEFITS (Continued)

Reconciliation of opening and closing provisions

	Period Ending 31 March 2018 (£000s)
Provision at start of period	673
Unwinding of the discount factor (interest expense)	6
Deficit contribution paid	(132)
Remeasurements - impact of any change in assumptions	(5)
Remeasurements - amendments to the contribution schedule	-
Provision at end of period	542

Income and expenditure impact

	Period Ending 31 March 2018 (£000s)
Interest expense	6
Remeasurements – impact of any change in assumptions	(5)
Remeasurements – amendments to the contribution schedule	-
Contributions paid in respect of future service*	-
Costs recognised in income and expenditure account	-

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

Assumptions

	31 March 2018 % per annum	31 March 2017 % per annum
Rate of discount	1.51	1.06

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.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 March 2018

23. RETIREMENT BENEFITS (Continued)

Deficit contributions schedule

Year ending	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Year 1	136	132	121
Year 2	140	136	124
Year 3	145	140	128
Year 4	137	145	132
Year 5	-	137	136
Year 6	-	-	140
Year 7	-	-	144
Year 8	-	-	149
Year 9	-	-	153
Year 10	-	-	158
Year 11	-	-	162
Year 12	-	-	84

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

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

Their tenancies are on normal commercial terms and they cannot use their positions to their advantage. During the year £15,537 (2017: £12,857) of rent was receivable from these tenant members and their close family members. At the year end there were £776 (2017: £268) of rent arrears due from these tenant members and their close family members.

25. CONTINGENT LIABILITIES

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2017.

As of this date the estimated employer debt for Paragon Housing Association was £4,167,409.

