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**PARAGON HOUSING ASSOCIATION LTD**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**Paragon Housing Association Limited**

**Management Committee, Executives and Advisers  
For the year ended 31 March 2019**

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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 2019

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#### Management Committee

Flora Wallace	Chair
Michael Hesketh	Joint Vice Chair
June Anderson	Joint Vice Chair
Susan Robertson	Treasurer
Jean Murray	Resigned 19/09/2018
Elisabeth Campbell	
Moira Calder	Resigned 19/09/2018
Louisa Hesketh	
Allyson Black	
Rosie Murray	Appointed 11/09/2018
Fiona Speirs	Appointed 21/11/2018
Elizabeth McNie	Appointed 17/10/2018

#### Executive Officers

Margaret Torrance  
Pamela Milne  
William Baxter  
Evelyn Mathershaw

Director  
Finance & Investment Manager  
Programme and Regeneration Manager  
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

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

#### Bankers

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

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

#### Solicitors

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

## **Paragon Housing Association Limited**

### **Report of the Management Committee For the year ended 31 March 2019**

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The Management Committee presents their report and audited financial statements for the year ended 31 March 2019.

#### **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.

#### **Development and Performance**

- Approved a Development Strategy reflecting the Association's prudent growth plans
- Procured 21 new housing units in Bo'ness through partnership working with Link Group
- Continued to operate the successful Buy Back on Open Market (BBOOM) policy resulting in the procurement of 4 units and acquired a property through the Mortgage to Rent Scheme

#### **Cadzow Ave, Bo'ness**

During the year the Association again worked in successful 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**

The successful BBOOM policy continued to operate within the Falkirk Council area supported by HAG funding. This policy allows the Association to acquire properties which achieve specific strategic aims such as meeting the Scottish Housing Quality Standard in multi tenure blocks or meeting a particular type of housing demand.

#### **SHQS & EESSH**

As at March 2019, 91% (1299/1422) of the Association's properties met the Scottish Housing Quality Standard (SHQS) and 85% (1213/1422) 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. A small number of properties (2 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 was completed during 2018/19. As part of the investment required to improve energy efficiency a programme of External Wall Insulation (EWI), Cavity Wall Insulation (CWI) and boiler replacement was undertaken during 2018/19 and continues into 2019/20.

**JRW Repairs & Gas Maintenance Contracts**

Following an extensive tendering exercise in 2017/18 from 1<sup>st</sup> April 2018 The McDougall Group were appointed as JRW Repairs Contractors and City Technical Services were appointed as Gas Contractors.

**Tenant Engagement**

During the year a number of tenant engagement activities were undertaken including a tenant led inspection by the Scrutiny Group of voids and a Tenant Conversation event in October. The Association made a successful bid for inclusion in the Scottish Government's "Next Steps" programme and several well attended events were organised with the support of the Tenants Information Service (TIS). The forward action plan is currently in preparation.

**Future Prospects**

The Association continues to operate from a stable financial and organisational base. Development activities and buy backs continue to support planned growth.

The stock investment programme planned going forward includes a major roofing and rendering programme, central heating upgrades and door entry system installations. The *Housing (Scotland) Act 1987* has been amended to reflect the new requirements around smoke detectors and heat detectors and the Association is preparing a programme of works to ensure compliance.

**Principal Risks and Uncertainties**

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

The 2018/19 Risk Review largely mirrored the 2017/18 exercise and included in the review was consideration of how the Association ensures compliance around component integrity following the highlighting of issues at UK level around testing of fire doors and compliance of cladding systems. Uncertainties around "Brexit" continue and a separate risk identification exercise was carried out on this.

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

Risk	Response / Control Action
Impact of Welfare Reform and its impact on rent arrears & voids performance	<ul style="list-style-type: none"> <li>- Specialist Tenancy Sustainment Officer in post</li> <li>- Liaise with DWP on universal credit matters</li> <li>- Internal Audit voids business process review</li> <li>- Ongoing monitoring and reporting on arrears and voids performance</li> </ul>
Achieving and maintaining investment to meet the Scottish Housing Quality Standard, Energy Efficiency Standard Social Housing (Scotland) and any further standards	<ul style="list-style-type: none"> <li>- Business plan which sets out resources and targets to deliver both SHQS and EESSH</li> <li>- Ongoing programme of investment in improvements such to achieve the standards</li> <li>- Support from Energy Action Scotland on energy efficiency measures</li> <li>- Ongoing monitoring and reporting of progress against plan</li> </ul>
Pension liabilities	<ul style="list-style-type: none"> <li>- Membership of EVH SHAPS Support Group to monitor developments</li> </ul>
Ensuring compliance with regulatory standards	<ul style="list-style-type: none"> <li>- Training and awareness sessions for staff and committee</li> <li>- Use of Scotland's Housing Network compliance assessment tool</li> <li>- Internal Audit</li> </ul>

## Paragon Housing Association Limited

### Report of the Management Committee (continued)

For the year ended 31 March 2019

Risk	Response / Control Action
Risks associated with undertaking development activities	<ul style="list-style-type: none"><li>- Business plan which sets out resources to deliver development programme</li><li>- Project approvals process in place</li><li>- Development strategy in place which sets out clear approach</li><li>- Working with experienced partners to deliver development services</li><li>- Ongoing monitoring and reporting of progress</li></ul>

The actions taken have generally been effective in controlling the identified risks.

Internal audit (IA) services were tendered during the year with Henderson Loggie being appointed to provide IA services, taking over from TIAA.

The IA programme for 2018/19 covered the following areas:

- Gas Safety
- Factoring

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

An Internal Audit Needs Assessment was also carried out. As part of the service provided by Henderson Loggie, a business process review was undertaken around void management. There are positive performance trends with void re-let times reducing from 42.9 average days at March 2018 to 36.3 average days at March 2019 and as at June 2019 the average re-let days stands at 29.5 days.

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

### Pension

The SHAPS pension scheme had previously been treated as a defined contribution scheme in line with FRS 102 with a liability of £542,000 recognised as at 31<sup>st</sup> March 2018 based on the Net Present Value of the past service deficit funding agreement. Due to recent developments, as at 1<sup>st</sup> April 2018 the share of assets and liabilities per employer is now available such that the scheme can now be accounted for on a defined benefit basis. Further detail in relation to this change in accounting is included in the accounting policy on page 20 and Note 25 to the financial statements.

The new defined benefit liability as at 1<sup>st</sup> April 2018 is £448,000, resulting in a remeasurement through other comprehensive income of £94,000. At the year ended 31 March 2019, the net defined benefit pension deficit liability was £713,000.

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

### 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.

**Paragon Housing Association Limited**  
**Report of the Management Committee (continued)**  
**For the year ended 31 March 2019**

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During the year the Association approved rule changes which included re-designation of membership categories. This means that there are no longer preserved places for local authority members however we continue to work closely with them.

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.

In January 2019 the Committee set out a core training programme for 2019/20 which includes the following topics:

- Health & Safety
- Committee Appraisals
- Committee Effectiveness

During the year Flora Wallace took over as Chair from Michael Hesketh and he continues to serve as Vice Chair.

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

RSM UK Audit LLP were re-appointed auditors to the Association at the Annual General Meeting in September 2018.

The Association makes an Annual Return on the Charter (ARC) to the Scottish Housing Regulator (SHR) and publishes information to stakeholders. During the year staff and office bearers took part in a number of activities around the introduction of the SHR's new regulatory framework which is effective from April 2019. Preparations are currently underway for the production of the new Annual Assurance Statement that requires to be submitted to SHR by end October 2019.

### **Going Concern**

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

A stock valuation was carried out on lenders' secured assets during the year and there was an increase in value of £1.4M (EUJ-SH). This is an increase in value of 8% on the previous stock valuation carried out in 2015.

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 2019**

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**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

21/2/19



## **Paragon Housing Association Limited**

### **Statement of Management Committee's Responsibilities For the year ended 31 March 2019**

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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 2019. 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 2019

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The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial misstatement or loss or failure to meet objectives. Key elements of the Association's systems include ensuring that:

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

The effectiveness of the Association's system of internal financial control has been reviewed by the Audit Committee/Management Committee for the year ended 31 March 2019. 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: 21/8/19

**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 2019**

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In addition to our audit of the Financial Statements, we have reviewed your statement on Page 9 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 9 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 30/8/19



**Opinion**

We have audited the financial statements of Paragon Housing Association Ltd (the 'Association') for the year ended 31 March 2019 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 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

**Basis for opinion**

We 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 2019**

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**Responsibilities of the Committee**

As explained more fully in the Committee's responsibilities statement set out on page 8, 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  
Chartered Accountants  
Third Floor, Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: 30/3/19

**Paragon Housing Association Limited**

**Statement of Comprehensive Income  
For the year ended 31 March 2019**

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	<i>Notes</i>	<b>2019 £</b>	<b>2018 £</b>
TURNOVER	2	5,985,860	5,717,554
Operating expenditure	2	(4,667,129)	(4,343,526)
Remeasurement in pension scheme	24	-	5,000
<b>OPERATING SURPLUS</b>		<b>1,318,731</b>	<b>1,379,028</b>
(Loss)/Gain on sale of housing properties	9	(5,651)	12,522
Interest receivable	6	37,183	26,091
Interest and financing costs	7	(648,616)	(602,698)
<b>SURPLUS BEFORE TAX</b>		<b>701,647</b>	<b>814,943</b>
Taxation		-	-
<b>SURPLUS FOR THE YEAR</b>		<b>701,647</b>	<b>814,943</b>
Initial recognition of multi-employer defined benefit scheme	25	94,000	-
Actuarial losses in respect of pensions scheme	25	(342,000)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>453,647</b>	<b>814,943</b>

The results relate wholly to continuing activities.

**Paragon Housing Association Limited**

**Statement of Financial Position  
For the year ended 31 March 2019**

	<i>Notes</i>	<b>2019</b> £	<b>2018</b> £
<b>FIXED ASSETS</b>			
Intangible assets	13	18,313	56,586
Housing properties	11	28,496,406	26,496,450
Other fixed assets	12	449,018	464,637
		<u>28,963,737</u>	<u>27,017,673</u>
<b>CURRENT ASSETS</b>			
Trade and other debtors	14	431,326	530,931
Cash and cash equivalents		7,324,970	8,800,493
		<u>7,756,296</u>	<u>9,331,424</u>
<b>CURRENT LIABILITIES</b>			
Creditors: amounts falling due within one year	15	(2,502,174)	(2,506,881)
<b>NET CURRENT ASSETS</b>			
		5,254,122	6,824,543
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>34,217,859</u>	<u>33,842,216</u>
Creditors: Amounts falling due after more than one year	16	(19,335,312)	(19,584,304)
<b>Provisions for liabilities</b>			
Pension provision – deficit funding liability	24	-	(542,000)
Defined benefit pension obligation	25	(713,000)	-
<b>TOTAL NET ASSETS</b>			
		<u>14,169,547</u>	<u>13,715,912</u>
<b>RESERVES</b>			
Share Capital	19	180	192
Income and expenditure reserve		14,169,367	13,715,720
<b>TOTAL RESERVES</b>		<u>14,169,547</u>	<u>13,715,912</u>

The financial statements were approved by the Management Committee and authorised for issue on 21/8/2019 and are signed on its behalf by:

Chair:  
(Flora Wallace) 

Vice Chair:  
(Michael Hesketh) 

Secretary:  
(Margaret Torrance) 

**Paragon Housing Association Limited**

**Statement of Changes in Reserves  
For the year ended 31 March 2019**

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	<b>Income and expenditure reserve £</b>
<b>Balance at 31 March 2017</b>	12,900,777
Surplus for the year	814,943
<b>Balance as at 31 March 2018</b>	<u>13,715,720</u>
Surplus for the year	701,647
<i>Other comprehensive income:</i>	
Initial recognition of multi-employer defined benefit scheme	94,000
Actuarial losses in respect of pension scheme	(342,000)
<b>Balance at 31 March 2019</b>	<u>14,169,367</u>



**Paragon Housing Association Limited**

**Statement of Cashflows  
For the year ended 31 March 2019**

	<i>Notes</i>	<b>2019</b> £	<b>2018</b> £
Net cash generated from operating activities	20	2,112,167	2,890,197
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of tangible fixed assets – housing properties		(2,768,565)	(2,478,062)
Purchase of intangible assets and other tangible fixed assets		(34,869)	(37,493)
Proceeds from sale of tangible fixed assets		-	51,482
Grants received		164,190	125,000
Interest received		37,183	26,091
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<u>(2,602,061)</u>	<u>(2,312,982)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest paid		(648,616)	(640,738)
New secured loans		-	-
Repayments of borrowings		(337,021)	(317,375)
Issued share capital		8	14
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>(985,629)</u>	<u>(958,099)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(1,475,523)</u>	<u>(380,884)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<u>8,800,493</u>	<u>9,181,377</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	20	<u>7,324,970</u>	<u>8,800,493</u>

## **Paragon Housing Association Limited**

### **Notes to the Financial Statements For the year ended 31 March 2019**

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#### **1. ACCOUNTING POLICIES**

##### **LEGAL STATUS**

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

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

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

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

##### **BASIS OF ACCOUNTING**

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2019, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

##### **GOING CONCERN**

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

The Association has a strong cash position and continues to hold significant unencumbered assets. The most recent valuation of the Association's secured housing stock was December 2018 and was on an existing use basis and was just under £20 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.

##### **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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

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**1. ACCOUNTING POLICIES (continued)**

**OTHER INCOME**

*Interest income*

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

**INTANGIBLE ASSETS**

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

**TANGIBLE FIXED ASSETS – HOUSING PROPERTIES**

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

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

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

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

**DEPRECIATION OF HOUSING PROPERTIES**

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

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

**1. ACCOUNTING POLICIES (continued)**

**IMPAIRMENT OF FIXED ASSETS**

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

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

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

**OTHER TANGIBLE FIXED ASSETS**

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

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

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

**APPORTIONMENT OF MANAGEMENT EXPENSES**

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

**TAXATION**

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

**VAT**

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

**DEPOSITS AND LIQUID RESOURCES**

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

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**1. ACCOUNTING POLICIES (continued)**

**LEASES**

*Operating Leases*

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

**EMPLOYEE BENEFITS**

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

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

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

**SCOTTISH HOUSING ASSOCIATION PENSION SCHEME (SHAPS)**

In previous years, the Association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHAPS scheme. For the year ended 31 March 2018, the Association had recognised a past service deficit liability of £542,000, within provisions, based on the present value of the Association's deficit funding agreement.

For the year ended 31 March 2019, the Association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

The deficit funding agreement liability that was previously recognised within provisions of £542,000 was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £448,000 was recognised at this date in the statement of financial position. The resulting net difference of £94,000 on initial recognition of the SHAPS obligation was recognised in other comprehensive income.

As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £713,000, which has been included within the provisions for pensions liability in the financial statements.

In the year ended 31 March 2019, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability and recognised under interest payable. Remeasurements are reported in other comprehensive income. Refer to Note 25 for more details.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

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**1. ACCOUNTING POLICIES (continued)**

**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.

**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.

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.

**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.

**1. ACCOUNTING POLICIES (continued)**

**CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT**

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

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

*Defined benefit obligation*

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 25). The net defined benefit pension liability at 31 March 2019 was £713,000.

*Useful lives*

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

		2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT			
	Notes	Turnover £	Operating costs £	2019 Operating surplus/(deficit) £	2018 Operating surplus/(deficit) £
Affordable letting activities	3	5,894,551	(4,575,820)	1,318,731	1,374,028
Other activities	4	91,309	(91,309)	-	-
		<u>5,985,860</u>	<u>(4,667,129)</u>	<u>1,318,731</u>	<u>1,374,028</u>
Remeasurement of pension	24	-	-	-	5,000
<b>Total</b>		<u><b>5,985,860</b></u>	<u><b>(4,667,129)</b></u>	<u><b>1,318,731</b></u>	<u><b>1,379,028</b></u>
<b>Total for previous reporting period</b>		<u><b>5,717,554</b></u>	<u><b>(4,338,526)</b></u>	<u><b>1,379,028</b></u>	



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES	General		Supported		Total 2019 £	Total 2018 £
	Needs Social Housing £	Housing Accommodation £	Social Housing Accommodation £	Housing Accommodation £		
Rent receivable net of service charges	5,724,316		77,171		5,801,487	5,468,315
Service charges	2,859		-		2,859	-
Gross income from rents and service charges	5,727,175		77,171		5,804,346	5,468,315
Less voids	(50,767)		(220)		(50,987)	(50,894)
<b>Net income from rents and service charges</b>	<b>5,676,408</b>		<b>76,951</b>		<b>5,753,359</b>	<b>5,417,421</b>
Grants released from deferred income	75,778		-		75,778	78,681
Revenue grants from Scottish Ministers	65,414		-		65,414	59,146
Other revenue grants	-		-		-	-
<b>Total turnover from affordable letting activities</b>	<b>5,817,600</b>		<b>76,951</b>		<b>5,894,551</b>	<b>5,555,248</b>
Management and maintenance administration costs	1,731,176		24,587		1,755,763	1,620,772
Service costs	-		-		-	-
Planned and cyclical maintenance including major repairs costs	1,043,313		2,743		1,046,056	1,233,593
Reactive maintenance costs	900,035		15,430		915,465	577,810
Bad debts - rents and service charges	95,578		-		95,578	53,835
Depreciation of affordable let properties	749,841		13,117		762,958	695,210
<b>Operating Costs for affordable letting activities</b>	<b>4,519,943</b>		<b>55,877</b>		<b>4,575,820</b>	<b>4,181,220</b>
<b>Operating surplus for affordable letting activities</b>	<b>1,297,657</b>		<b>21,074</b>		<b>1,318,731</b>	<b>1,374,028</b>
<b>Operating surplus for affordable letting activities for previous reporting period</b>	<b>1,353,651</b>		<b>20,377</b>		<b>1,374,028</b>	

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

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

	Grants From Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs bad debts £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit for previous reporting period £
Factoring	-	-	-	72,513	72,513	-	(72,513)	-	-
EW Grant	-	5,080	-	-	5,080	-	(5,080)	-	-
Other sundry activities	-	-	-	-	-	-	-	-	-
Other activities – insurance and tenant recharges	-	-	-	13,716	13,716	-	(13,716)	-	-
<b>Total from other activities</b>	-	<b>5,080</b>	-	<b>86,229</b>	<b>91,309</b>	-	<b>(91,309)</b>	-	-
<b>Total from other activities for the previous reporting period</b>	-	<b>70,099</b>	-	<b>92,207</b>	<b>162,306</b>	-	<b>(162,306)</b>	-	-

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2019

<b>5.</b>	<b>ACCOMMODATION IN MANAGEMENT</b>	<b>2019</b>	<b>2018</b>
		<b>Units</b>	<b>Units</b>
	General needs housing	1,401	1,375
	Supported housing	21	21
	<b>TOTAL UNITS IN MANAGEMENT</b>	<b>1,422</b>	<b>1,396</b>
<b>6.</b>	<b>INTEREST RECEIVABLE AND SIMILAR INCOME</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	Interest on bank deposits	37,183	26,091
		<b>37,183</b>	<b>26,091</b>
<b>7.</b>	<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	Interest arising on:		
	Bank loans and overdrafts	725,365	640,738
	Adjustment to effective interest rate	(86,749)	(44,040)
	Defined benefit pension charge	10,000	6,000
		<b>648,616</b>	<b>602,698</b>
<b>8.</b>	<b>OPERATING SURPLUS</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	Operating surplus is stated after charging:		
	Depreciation of housing properties (note 11)	762,958	695,210
	Depreciation of other tangible fixed assets (note 12)	23,374	24,667
	Amortisation of intangible assets (note 13)	65,387	70,043
	(Deficit)/Surplus on disposal of tangible fixed assets (note 9)	(5,651)	12,522
	Operating lease rentals	21,813	25,394
		<b>21,813</b>	<b>25,394</b>
	Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows:		
		<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	Audit services - Statutory audit of the Association	15,840	15,240
	Non audit services – Finance support	5,460	-

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 31 March 2019

9. SURPLUS OR DEFICIT ON SALE OF FIXED ASSETS – HOUSING PROPERTIES AND LAND	2019	2018
	£	£
Net disposal proceeds	-	51,482
Carrying value of fixed assets	(5,651)	(38,960)
(Deficit)/Surplus	<u>(5,651)</u>	<u>12,522</u>

10. EMPLOYEES	2019	2018
	No.	No.
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:		
Administration	7	7
Housing management	13	13
Property and regeneration	3	3
	<u>23</u>	<u>23</u>
	<b>2019</b>	<b>2018</b>
	£	£
Staff costs for the above persons:		
Wages and salaries	823,167	768,312
Social security costs	84,010	80,305
Other pension costs and current service cost (note 25)	212,521	197,145
Agency costs	208,978	164,827
	<u>1,328,676</u>	<u>1,210,589</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>
	<b>2019</b>	<b>2018</b>
	£	£
Aggregate emoluments of key management personnel (excluding pension contributions)	<u>239,765</u>	<u>215,941</u>
The emoluments of the director (excluding pension contributions)	<u>72,520</u>	<u>70,648</u>
Aggregate pension contributions in relation to the above key management personnel	<u>9,138</u>	<u>8,902</u>

No payment or fees or other remuneration was made to the Committee of Management members during the year (2018: £Nil).

11. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	<b>Social housing properties held for letting</b>
<b>Cost</b>	
1 April 2018	33,408,448
Additions	1,619,505
Works to existing properties	1,149,060
Disposals	(60,076)
31 March 2019	<u>36,116,937</u>
<b>Depreciation and impairment</b>	
1 April 2018	(6,911,998)
Depreciation charged in year	(762,958)
Released on disposal	54,425
31 March 2019	<u>(7,620,531)</u>
<b>Net book value</b>	
31 March 2019	<u>28,496,406</u>
31 March 2018	<u>26,496,450</u>

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Improvement work capitalised:		
Replacement component spend capitalised	1,149,060	1,276,376
Amounts charged to income and expenditure	215,933	149,940
Total major repairs spend	<u>1,364,993</u>	<u>1,426,316</u>
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Value of Land included in costs	<u>6,452,800</u>	<u>6,226,070</u>

12. TANGIBLE FIXED ASSETS – OTHER

	Office Property £	Furniture, fixtures and fittings £	Total £
<b>Cost</b>			
1 April 2018	626,985	128,569	755,554
Additions	-	7,755	7,755
Disposals	-	(27,131)	(27,131)
31 March 2019	<u>626,985</u>	<u>109,193</u>	<u>736,178</u>
<b>Depreciation and impairment</b>			
1 April 2018	(180,932)	(109,985)	(290,917)
Depreciation charged in year	(12,540)	(10,834)	(23,374)
Released on disposal	-	27,131	27,131
31 March 2019	<u>(193,472)</u>	<u>(93,688)</u>	<u>(287,160)</u>
<b>Net book value</b>			
31 March 2019	<u>433,513</u>	<u>15,505</u>	<u>449,018</u>
31 March 2018	<u>446,053</u>	<u>18,584</u>	<u>464,637</u>

13. INTANGIBLE ASSETS

	Software £
<b>Cost</b>	
1 April 2018	212,253
Additions	27,114
Disposals	-
31 March 2019	<u>239,367</u>
<b>Amortisation</b>	
1 April 2018	(155,667)
Charge for the year	(65,387)
31 March 2019	<u>(221,054)</u>
<b>Net book value</b>	
31 March 2019	<u>18,313</u>
31 March 2018	<u>56,586</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 March 2019

## 14. DEBTORS

	2019	2018
	£	£
<b>Amounts falling due within one year:</b>		
Rent and service charges receivable	329,037	326,736
Less: provision for bad and doubtful debts	(196,990)	(150,872)
	<u>132,047</u>	<u>175,864</u>
Other debtors	58,234	45,860
Prepayments and accrued income	241,045	309,207
	<u>431,326</u>	<u>530,931</u>

## 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Debt (note 18)	308,728	308,218
Rent and service charges received in advance	289,636	295,679
Deferred capital grants (note 17)	78,554	78,681
Trade creditors	1,101,966	1,339,174
Other taxation and social security costs	21,413	17,485
Other creditors	335,757	281,847
Holiday pay accrual	23,408	19,685
Accruals and deferred income	342,712	166,112
	<u>2,502,174</u>	<u>2,506,881</u>

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

	2019	2018
	£	£
Debt (note 18)	15,329,857	15,667,388
Deferred capital grant (note 17)	4,005,455	3,916,916
	<u>19,335,312</u>	<u>19,584,304</u>

## 17. DEFERRED CAPITAL GRANT

	2019	2018
	£	£
As at 1 April 2018	3,995,597	3,949,278
Grant received in the year	164,190	125,000
Capital grant released	(75,778)	(78,681)
As at 31 March 2019	<u>4,084,009</u>	<u>3,995,597</u>
Amounts to be released within one year	78,554	78,681
Amounts to be released in more than one year	4,005,455	3,916,916
	<u>4,084,009</u>	<u>3,995,597</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 March 2019

18. DEBT ANALYSIS – BORROWINGS

	2019 £	2018 £
Creditors: amounts falling due within one year:		
Bank loans	308,728	308,218
	<u>308,728</u>	<u>308,218</u>
Creditors: amounts falling due after more than one year:		
Bank loans	15,329,857	15,667,388
<b>Total</b>	<u>15,638,585</u>	<u>15,975,606</u>

Bank borrowings of £15,638,585 (2018: £15,975,606) 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 Savings Trust Loan is interest free.

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

	2019 £	2018 £
Due within one year	308,728	308,128
Due in one year or more but less than two years	339,335	324,398
Due between two and five years	930,964	973,194
Due more than five years	14,059,558	14,369,886
	<u>15,638,585</u>	<u>15,975,606</u>

19. SHARE CAPITAL

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

	2019 £	2018 £
Number of members		
1 April 2018	192	205
Joined during the year	8	14
Left during year	(20)	(27)
31 March 2019	<u>180</u>	<u>192</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

20. RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM / (USED IN) OPERATIONS	2019 £	2018 £
Surplus for the year	453,647	814,943
Adjustments for non-cash items:		
Depreciation of fixed assets / amortisation of intangible assets	851,719	789,920
Amortisation of deferred capital grant	(75,778)	(78,681)
Increase/(Decrease) in provisions	171,000	(131,000)
Loss/(Gain) on disposal of tangible fixed assets	5,651	(12,522)
Interest receivable	(37,183)	(26,091)
Interest payable	648,616	596,698
Cancelled shares	(20)	(27)
<b>Operating cash flows before movements in working capital</b>	<u>2,017,652</u>	<u>1,953,240</u>
Decrease/(increase) in stock	-	-
Decrease/(increase) in trade and other debtors	99,605	(173,435)
(Decrease)/increase in trade and other creditors	(5,090)	1,110,392
<b>Cash generated from / (used in) operations</b>	<u>2,112,167</u>	<u>2,890,197</u>

**CASH AND CASH EQUIVALENTS**

	2019 £	2018 £
Cash and cash equivalents represent:-		
Cash at bank	<u>7,324,970</u>	<u>8,800,493</u>

**21. FINANCIAL INSTRUMENTS**

At 31 March 2019 the Association had the following financial instruments:

	2019 £	2018 £
Financial assets measured at amortised cost	328,864	417,406
Financial liabilities measured at amortised cost	<u>17,442,428</u>	<u>17,782,424</u>

**22. CAPITAL COMMITMENTS AND OTHER CONTRACTUAL OBLIGATIONS**

	2019 £	2018 £
Expenditure authorised by the board which is contracted for	<u>746,398</u>	<u>-</u>

The capital commitments will be financed through existing cash reserves.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 March 2019

**23. COMMITMENTS UNDER OPERATING LEASES**

	<b>2019</b>	<b>2018</b>
	£	£
The total future minimum lease payments under non-cancellable operating leases are as follows:		
Amounts due:		
Within one year	17,339	13,852
Between one and five years	-	6,370
	<u>17,339</u>	<u>20,222</u>

**24. PENSION PROVISION**

	<b>2019</b>	<b>2018</b>
	£	£
At 1 April 2018	542,000	673,000
Derecognition of liability ( note 25)	(542,000)	-
Interest expense	-	6,000
Deficit contribution paid	-	(132,000)
Remeasurement of assumptions	-	(5,000)
At 31 March 2019	<u>-</u>	<u>542,000</u>

**25. RETIREMENT BENEFITS**

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

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

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

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. Unless a concession has been agreed with the Trustee, this arrangement applies to 28 February 2022.

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

For the year ended 31 March 2018, the SHAPS obligation was being accounted for as a defined contribution as there was not sufficient information available to identify each employer's share of assets and liabilities in the scheme. Therefore, for 31 March 2018, the contributions payable from the association to the SHAPS under the terms of its funding agreement for past deficits was recognised as a liability within provisions in the Association's financial statements. The net present value for this contractual obligation was £542,000.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 March 2019**

25. RETIREMENT BENEFITS (continued)

For the year ended 31 March 2019, sufficient information is available for the Association in respect of SHAPS to account for its obligation on a defined benefit basis. The most recent formal actuarial valuation was completed as at 30 September 2015 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2019 by a qualified independent actuary.

Under the defined benefit pension accounting approach, the SHAPS net deficit as at 1 April 2018 is £448,000 and is £713,000 as at 31 March 2019.

The proposals set out in FRED 71 requires the difference on transition from defined contribution accounting to defined benefit accounting to be presented separately in other comprehensive income. The change on transition has resulted in a re-measurement difference of £94,000, which has been recognised at the relevant date of application, 1 April 2018, in other comprehensive income.

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

	31 March 2019	31 March 2018
	£'000	£'000
Fair value of plan assets	4,839	4,442
Present value of defined benefit obligation	5,552	4,890
Surplus/(deficit) in plan	(713)	(448)
Unrecognised surplus	-	-
Defined benefit asset/(liability) to be recognised	- (713)	(448)
Deferred tax	-	-
Net defined benefit asset/(liability) to be recognised	(713)	(448)

**Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation**

	£'000
Defined benefit obligation at 1 April 2018	4,890
Current service cost	108
Expenses	4
Interest expense	125
Contributions by plan participants	55
Actuarial losses/(gains) due to scheme experience	146
Actuarial losses/(gains) due to changes in demographic assumptions	15
Actuarial losses/(gains) due to changes in financial assumptions	309
Benefits paid and expenses	(100)
Defined benefit obligation at 31 March 2019	5,552

25. RETIREMENT BENEFITS (continued)

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

	<b>£'000</b>
Fair value of plan assets at 1 April 2018	4,442
Interest income	115
Experience on plan assets (excluding amounts included in interest income) - gain	128
Contributions by the employer	199
Contributions by plan participants	55
Benefits paid and expenses	(100)
Fair value of plan assets at 31 March 2019	<u>4,839</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £243,000.

**Initial recognition of defined benefit pension scheme**

	<b>£'000</b>
Defined benefit pension scheme liability at 1 April 2018	(448)
Provision for past service deficit contributions at 31 March 2018 (note 24)	542
Initial recognition of defined benefit scheme	<u>94</u>

**Defined Benefit Costs Recognised in Statement of Comprehensive Income (SoCI)**

	<b>Period from 1 April 2018 to 31 March 2019 £'000</b>
Current service cost	108
Expenses	4
Net interest expense	10
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	<u>122</u>

**Defined Benefit Costs Recognised in Other Comprehensive Income**

	<b>Period ended 31 March 2019 £000</b>
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	128
Experience gains and losses arising on the plan liabilities – gain/(loss)	(146)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	(15)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	(309)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	<u>(342)</u>
Total amount recognised in other comprehensive income – gain/(loss)	<u>(342)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
For the year ended 31 March 2019

25. RETIREMENT BENEFITS (continued)

<b>Assets</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£'000</b>	<b>£'000</b>
Global Equity	779	799
Absolute Return	410	527
Distressed Opportunities	83	20
Credit Relative Value	84	-
Alternative Risk Premia	270	168
Fund of Hedge Funds	13	128
Emerging Markets Debt	155	152
Risk Sharing	140	40
Insurance-Linked Securities	126	122
Property	96	175
Infrastructure	203	81
Private Debt	62	41
Corporate Bond Fund	339	310
Long Lease Property	59	-
Secured Income	169	163
Over 15 Year Gilts	124	144
Liability Driven Investment	1,722	1,564
Net Current Assets	5	8
<b>Total assets</b>	<b>4,839</b>	<b>4,442</b>

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

<b>Key Assumptions</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>% per annum</b>	<b>% per annum</b>
Discount Rate	2.29	2.55
Inflation (RPI)	3.30	3.20
Inflation (CPI)	2.30	2.20
Salary Growth	3.30	3.20
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

<b>Life expectancy at age 65 (Years)</b>	
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

26. RELATED PARTY TRANSACTIONS

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

Flora Wallace  
Michael Hesketh  
Louisa Hesketh  
Elizabeth McNie

Their tenancies are on normal commercial terms and they cannot use their positions to their advantage. During the year £16,630 (2018: £15,537) of rent was receivable from these tenant members and their close family members. At the year-end there were £1,703 (2018: £776) of rent arrears due from these tenant members and their close family members.

Flora Wallace is an Executive Committee Member and Treasurer of EVH. During the year the Association spent £9,085 (2018: £12,371) on training and services from EVH.

Michael Hesketh is a SHARE Executive Committee Member. During the year the Association spent £6,260 (2018: £9,395) on training from SHARE.

27. 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.