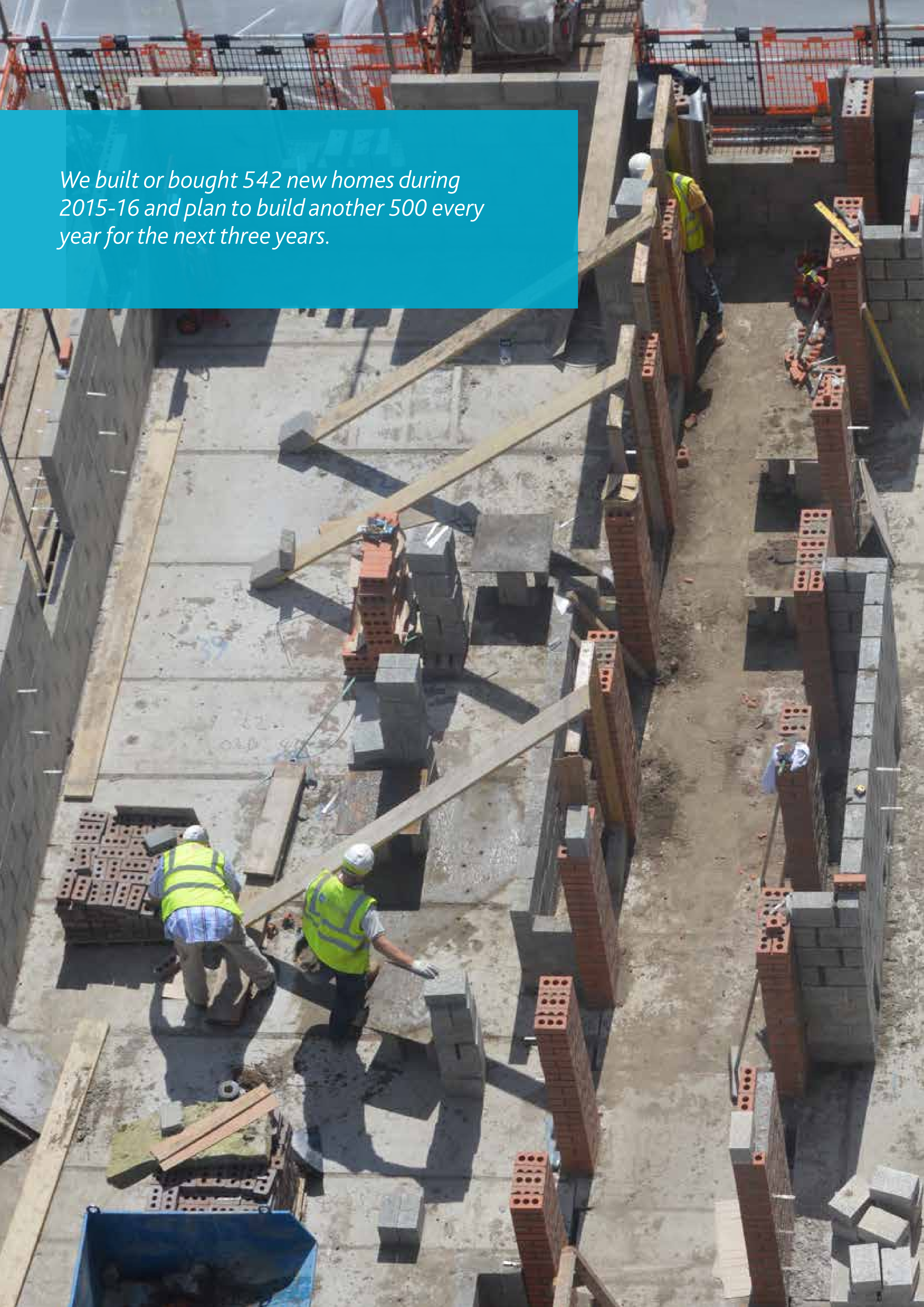
PARADIGM HOUSING GROUP LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS 2015-16

We built or bought 542 new homes during 2015-16 and plan to build another 500 every year for the next three years.



ANNUAL REPORT & FINANCIAL STATEMENTS 2015-16

FOR THE YEAR ENDED 31 MARCH 2016

GROUP INFORMATION

CHAIRMAN

David Easson

DEPUTY CHAIRMAN

Andrew Lovegrove

OTHER BOARD MEMBERS

Sue Cooper

Iain Foster-Poole

Linda Ives

Rashid Khilji

Claer Lloyd-Jones

Janet Ogundele

Timothy Yates

Matthew Bailes
(co-opted, from 1 September 2015)

Alison Hadden
(co-opted, resigned 31 May 2015)

Andrew Nicol *(co-opted)*

Jane Harrison *(from 15 April 2016)*

SECRETARY

Julie Packham *(to 30 June 2016)*

Ewan Wallace *(from 1 July 2016)*

SENIOR EXECUTIVES

Alison Hadden
(Chief Executive, resigned 31 May 2015)

Matthew Bailes
(Chief Executive, from 1 September 2015)

Tracey Gray
(Executive Director of Housing)

Wendy Smith
(Regional Director, East Region, to 2 April 2015)

Jane Harrison
(Deputy Finance Director)

Andrew Main
(Executive Director of Business Development)

Andrew Nicol
(Executive Director of Finance, Acting Chief Executive from 1 June 2015 to 31 August 2015)

Dean Epton
(Executive Director of Property Services, to 31 January 2016)

Lee North-Smith
(Interim Executive Director of Property Services, from 1 February 2016)

Gary Robinson
(Executive Director of Corporate Services, from 1 August 2015)

SOLICITORS

Clarke Willmott LLP

Devonshires Solicitors

Owen White Solicitors

Trowers and Hamlins LLP

VALUERS

Savills (UK) Ltd

BANKERS

Barclays Bank plc

AUDITORS

RSM UK Audit LLP

REGISTERED OFFICE

1 Glory Park Avenue, Wooburn Green, Bucks, HP10 ODF

COMMUNITY BENEFIT SOCIETY

Registration number: 28844R

HOMES AND COMMUNITIES AGENCY

Registration number: L4215

As well as spending £24.3m maintaining and improving our existing homes we also invested £1.1m installing insulation in 412 properties

CHAIRMAN'S STATEMENT

Around this time last year the housing sector as a whole was revising business plans in the wake of the Government's announcement of rent reductions over the next four years.

We took prompt action to protect the viability of Paradigm, principally through a review of our development plans. But we remain committed to delivering more new homes to alleviate the shortage of affordable housing in London and the South East. Since his arrival last September we have worked with our new Chief Executive, Matthew Bailes, on renewing our business strategy and we have set out our vision taking Paradigm to 2020 and beyond.

We have reaffirmed our core purpose to make the very best use of our resources so that we can provide new affordable homes and a fair deal for existing residents. In order to do this we are ensuring that we run an organisation that is as efficient as possible in all respects.

The fair deal is important. We provide homes for over 30,000 people and we make sure that the homes are in good repair and the services we provide are responsive and reliable. In return we expect our residents to look after their homes, respect their neighbours and pay their rent on time. We use the surpluses we generate from prudently managing our business to provide more affordable homes for future Paradigm residents.

Last year I reported a strong surplus of £12.3m. This year, helped by higher property sales, our surplus has increased to £21.9m. Almost £2.5m of the increase reflects a change in financial reporting standards, and similar fluctuations are evident across the housing sector. The underlying trend is of improved performance with the 43.5% operating margin exceeding our target of 40%.

We completed 356 homes under our development agreements with the Homes and Communities Agency (HCA) and Greater London Authority (GLA), and a further 186 homes outside these agreements. Of these, we have sold a modest number of properties on the open market to reinforce our financial position in the wake of the rent reductions introduced by Government. The re-modelling and extension to our Lea Bridge hostel in East London, supported by GLA funding, is on target to complete during 2017. We have worked alongside our development partner at Lea Bridge to complete the works whilst residents remain housed in the building. By May 2017, 106 units will be available in this new and upgraded short-term accommodation, providing homes for some of London's most vulnerable people.

We remain committed to developing affordable homes alongside the HCA and GLA and plan to deliver 500 new homes each year for the next three years. However, we continue to closely monitor our exposure to changes in the housing market and how these might affect our development plans.

Sometimes our residents need extra help and financial support to cope with unexpected costs or to access further education, training or work. Our support for the Paradigm Foundation during 2015-16 has allowed it to provide grant aid to 32 individuals and 34 projects. These include the employability project in Watford which has shown how we can reach out to residents who have been unemployed for several years and support them into training and work. Similarly we provide funding to the Bucks Money Advice Service, established across three Citizens Advice centres in Buckinghamshire, to provide consistent, independent, high quality advice and support to Paradigm residents. We have approved a £450,000 donation to the Paradigm Foundation for 2016-17.

In taking Paradigm forward in uncertain times, we are reliant on a strong leader of the executive team. We are very pleased to have been able to appoint Matthew Bailes who has the clarity of vision and determination to implement any changes needed to ensure Paradigm's future as a strong housing provider. He is supported by a Management Team that is undergoing change. After almost 25 years with Paradigm, Andy Nicol, the Executive Director of Finance is retiring. I would like to express the Board's thanks to Andy who has managed our finances prudently and leaves us in good financial health with low cost, low risk funding sufficient for our development plans for at least the next five years.

We have now appointed Andrew Lovelace as our new Executive Director of Finance. In the course of the year we also appointed a new Executive Director of Corporate Services, Gary Robinson, and made

> *We use the surpluses we generate from prudently managing our business to provide more affordable homes for future Paradigm residents.*

David Easson, Chairman

Tracey Gray our permanent Executive Director of Housing and we congratulate them on their appointments. There have also been changes in Property Services, and a renewed focus on driving improvements and efficiency.

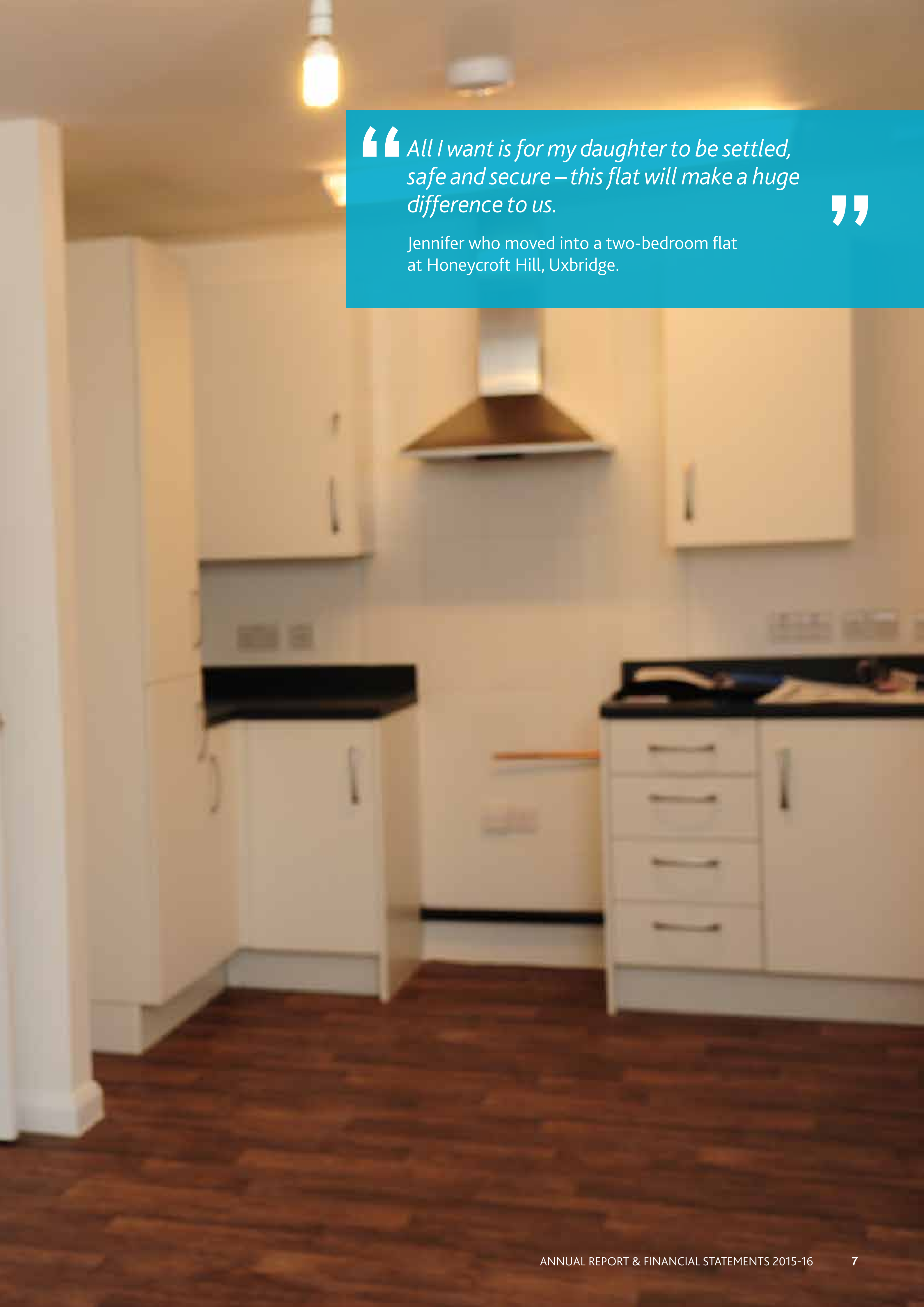
We have undertaken an in depth review of our governance to ensure that we are well-prepared for future challenges. The outcome of this review is due in September 2016.

Our staff are central to Paradigm's success and they are enthused by the changes that Matthew and his team are making. The work to examine our offer to tenants is particularly important and starting to make changes.

On behalf of the Board, I would like to express our great appreciation to the management and staff for their continued hard work and commitment during a year of considerable change and challenge. They have continued to provide a good service to our tenants whilst reducing costs and improving efficiency. I would also like to thank all those residents who engage with the organisation and finally, my fellow Board and Committee members for their support and assistance.

David Easson
Chairman

REPORT OF THE BOARD AND STRATEGIC REPORT



“All I want is for my daughter to be settled, safe and secure – this flat will make a huge difference to us.”

Jennifer who moved into a two-bedroom flat at Honeycroft Hill, Uxbridge.

OUR BUSINESS

The Board presents its report on the activities, results and audited financial statements of Paradigm Housing Group (Paradigm) for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

Paradigm is one of the leading housing providers in the South East, managing over 14,000 homes across 33 local authorities (Figure 1).

As Chiltern Hundreds Housing Association, it received the first large scale voluntary transfer of local authority houses, from Chiltern District Council in 1988. The Chiltern area continues to be a core focus for Paradigm although the organisation now has properties across the Home Counties and North and West London with principal activities:

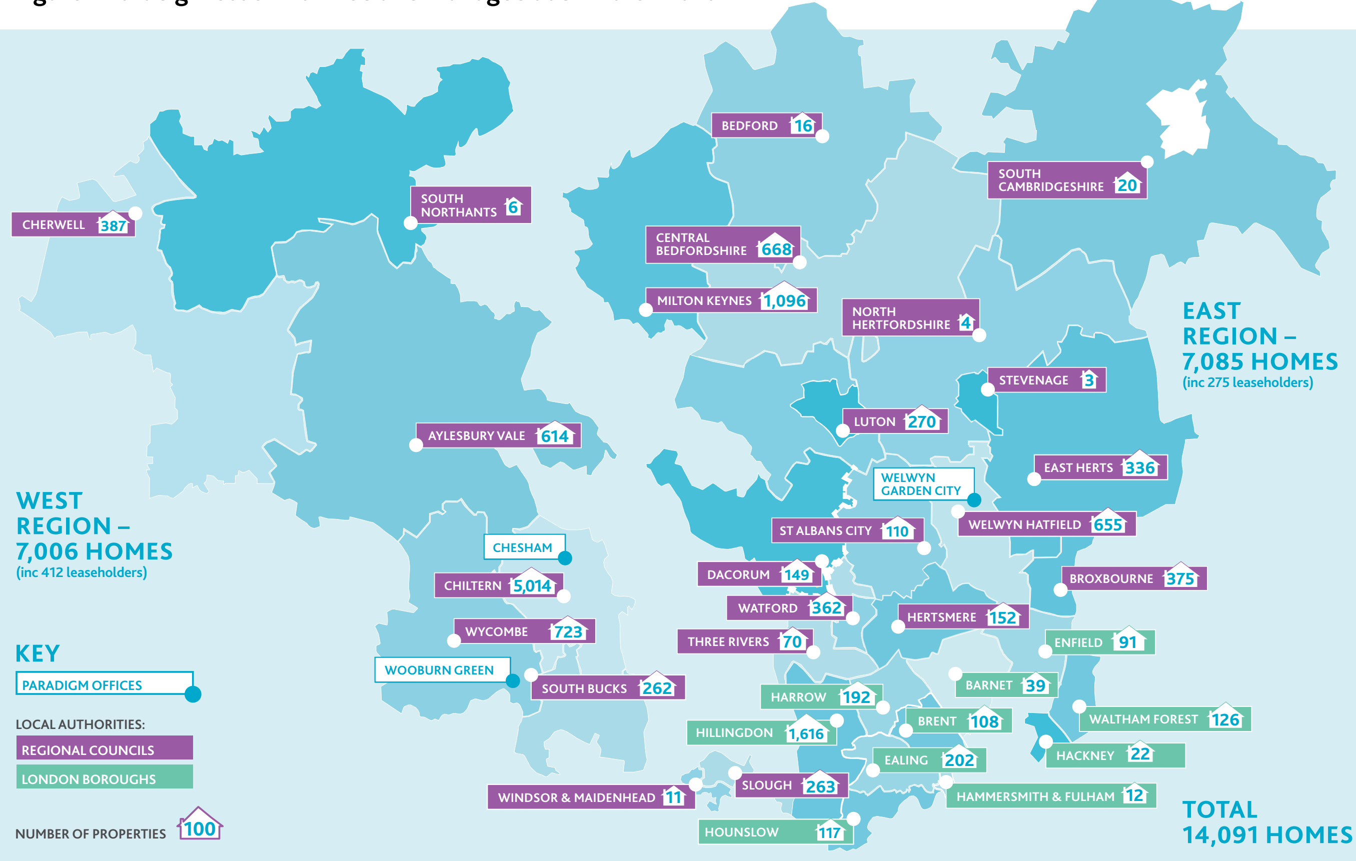
> providing affordable housing for rent

> delivering low-cost home ownership (mainly shared ownership)

> offering temporary or permanent housing solutions to address homelessness

> providing hostel accommodation for single and young people.

Figure 1 Paradigm stock – owned and managed at 31 March 2016



We reached our milestone 14,000th home during 2015-16 and marked the occasion at Jonathan Henry Place in Luton.

STRUCTURE

Within the Paradigm group two organisations are registered as housing providers with the HCA:

> Paradigm Housing Group (Paradigm)

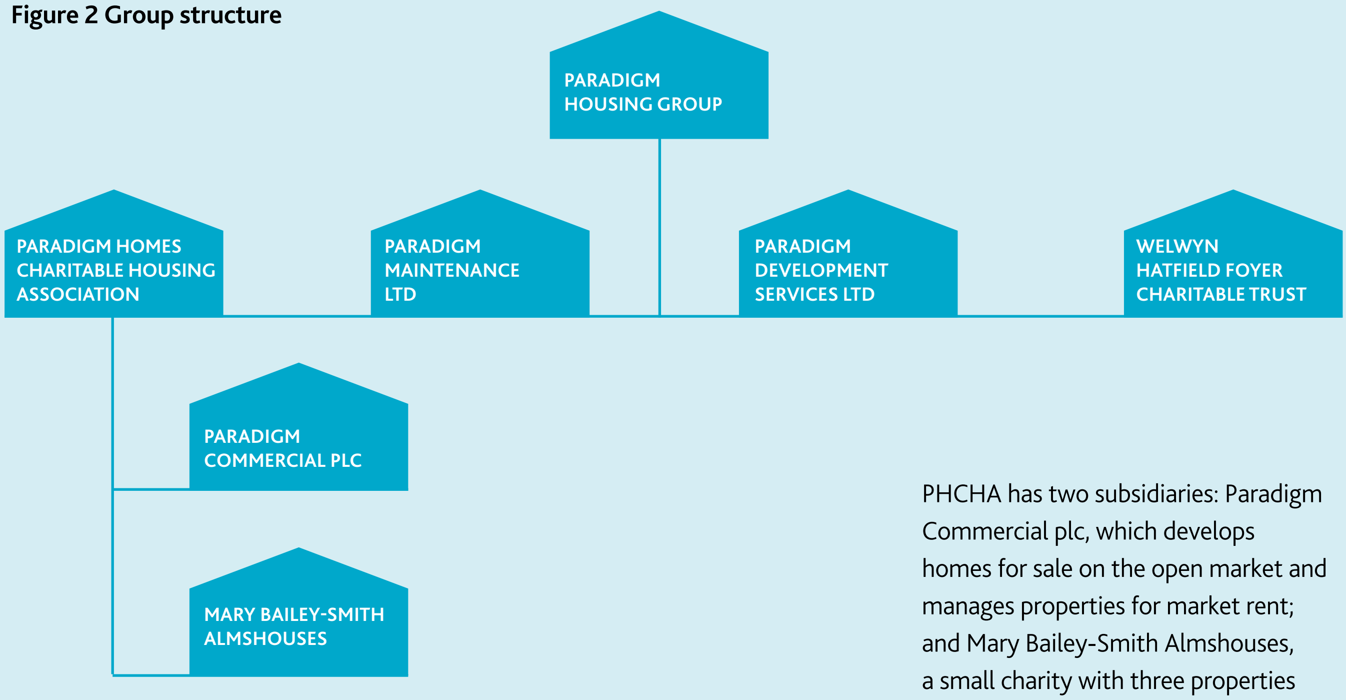
> Paradigm Homes Charitable Housing Association (PHCHA), a subsidiary of Paradigm as shown in the outline Group structure (Figure 2).

Paradigm Development Services Limited (PDSL) is a wholly-owned subsidiary of Paradigm, undertaking developments which are usually transferred to other group members on completion.

Paradigm Maintenance Limited (PML) is a wholly-owned subsidiary of Paradigm and was established to take over the group's maintenance services following the failure of Connaught plc in 2010. During 2015-16, PML has acted as the group's maintenance provider delivering a planned programme of investment and cyclical works as well as providing day-to-day repairs, including emergency cover. For 2016-17 the activities of PML have transferred back into Paradigm, simplifying reporting arrangements and reducing administration costs.

Welwyn Hatfield Foyer Charitable Trust is a charity providing support for the group's Foyer in Welwyn, Hertfordshire and Paradigm nominates at least a third of the trustees.

Figure 2 Group structure



PHCHA has two subsidiaries: Paradigm Commercial plc, which develops homes for sale on the open market and manages properties for market rent; and Mary Bailey-Smith Almshouses, a small charity with three properties in management.

OUR GOVERNANCE

The Board has adopted the NHF Code of Governance (Revised) (the Code) and complies with its principal recommendations.

The Amalgamated Board meets every two months and is supported by four key sub-committees, each chaired by a non-executive member of the Amalgamated Board, that meet at least quarterly:

- Development and Commercial Committee – responsible for property development, sales and new business
- Housing Services Committee – responsible for all housing services including social and affordable rented housing, supported housing, shared ownership, private rented and private sector leasing
- Property Services Committee – responsible for developing and monitoring the strategic vision and direction for property repairs, maintenance and investment
- Audit Committee – responsible for overseeing standards of probity, including Paradigm's risk management strategy, and internal and external audit.

Figure 3
Board and committee structure

Development and Commercial Committee	Role
Andrew Lovegrove	Chair
Sue Belk, Freddie Coupe, Nukhet Dag, Ann Fulker, Linda Ives	Non-executive members
Housing Services Committee	
Claer Lloyd-Jones	Chair
Helen Barnett, Noel Brown, Derek Cash (from 15 July 2015), Dave Fawcett, Karen Lewis, Dave Thomas (from 30 June 2015)	Non-executive members
Property Services Committee	
Timothy Yates	Chair
Gordon Brockington, Sue Cooper, Alf Dench, Iain Foster-Poole, Dan Scate (to 7 July 2015), Grant Shipley	Non-executive members
Audit Committee	
Rashid Khilji	Chair
Dave Fawcett, Paul Haylock, Ulrich M'Boko, Trevor Stone	Non-executive members

> *We are undertaking an in-depth review of our governance to ensure that we are well prepared for future challenges.*
>
> David Easson, Chairman

Other sub-committees that meet on an ad-hoc basis as needed include:

- Remuneration Committee – for matters relating to the performance, pay and succession planning of the senior executives
- Nominations Committee – to review the appointment, performance, succession planning and skills of Paradigm Board members
- Complaints Panel – to hear customer complaints which the senior executives are unable to resolve through the complaints process.

Our appointments policy for non-executive Board and Committee members aims to ensure appropriate representation reflecting business need and the diverse communities we serve. On appointment, members undergo a comprehensive induction programme and on-going training is provided through attendance at internal and external conferences and formal training courses. The Board members who served throughout 2015-16 and up to the date of this report are listed on page 2 and total remuneration is set out on page 55.

Each Board and Committee member is expected to attend at least 80% of meetings each year and all Board and Committee members are subject to regular performance appraisal.

Non-executive pay is agreed at a level advised by independent advisors as proportionate to the Group's size, complexity and resources. Non-executive Board member emoluments for 2015-16 are set out below.

Figure 4
Non-executive Board member emoluments

Non-executive	Role	2015-16 £
David Easson	Chair	13,351
Andrew Lovegrove	Deputy Chair and Chair – Development and Commercial Committee	11,040
Sue Cooper	Board member	6,676
Iain Foster-Poole	Board member	6,676
Linda Ives	Board member	6,676
Rashid Khilji	Chair – Audit Committee	8,730
Claer Lloyd-Jones	Chair – Housing Services Committee	8,730
Janet Ogundele	Board member	6,676
Tim Yates	Chair – Property Services Committee	8,730

Total expenses paid to non-executive members during the year were £2,524 (2015: £4,601).

We have reviewed and updated our strategic plan for the next four years and are reviewing our governance structure during 2016-17 to ensure it aligns effectively with our plans for delivering future services.

OUR OBJECTIVES AND STRATEGY

Our purpose is to make the very best use of our resources so we can provide new affordable homes and a fair deal for existing residents.

Our 14,000th home was named after PC Jonathan Henry who was killed on duty in Luton. We were delighted to welcome his daughter Maggie to carry out the official opening.

My new flat is amazing. I only had a bedsit before so to have a whole place for myself and my son is great.

Hayley, who moved into her new home at West Drayton Garden Village.

In the areas we serve average house prices are significantly higher than average earnings and options in the private rented sector are expensive and insecure. A high proportion of the population is not adequately housed, reducing life chances and putting at risk the economic success of the area. We already provide homes for more than 14,000 households and **we will continue to offer these residents a fair deal**, providing good quality and responsive services in return for prompt rental payments and care for our property. However, it is essential that we make the best use of our resources so that we can help more people who need our support. This means:

We will stay financially strong – we know that we need a stable financial position so we can help new residents and not put the homes of existing residents at risk.

We will run an excellent business – using commercial disciplines and continually striving to deliver efficiency improvements. We will attract high quality staff, invest in their skills and hold them to account for effective delivery.

We will make the very best use of our existing asset base – with a clear asset management strategy, selling or converting stock where appropriate to add value.

We will invest in new homes – offering a range of tenures including shared ownership, social and affordable rented housing.

We will support our customers and invest in local communities through the Paradigm Foundation – helping residents into work, education and training; supporting initiatives to alleviate financial hardship; and investing in larger projects that benefit the wider community.

EXTERNAL INFLUENCES

We are operating in an environment where external factors, over which we have little or no control, have a significant effect on our business. These factors include:

Welfare reforms that affect a number of our residents who may, over the next two or three years, experience a reduction in their disposable income if they remain reliant on benefits. In some cases this could be substantial. The Welfare Reform and Work Act 2016 introduced rent reductions of 1% per year for the next four years alongside a freeze or reduction in some benefits as well as reducing the overall benefit cap both inside and outside London. We are continuing to work alongside our residents to help them manage the changes. Our Tenancy Sustainment Team has worked with over 200 residents again this year helping them access local authority discretionary housing payments and apply for appropriate benefits, as well as supporting digital inclusion and advising on other actions such as downsizing, where accommodation is available either from Paradigm or through local authorities. As part of our approach to minimising rent arrears we encourage residents to pay by direct debit or prepay their rent where possible so that when they receive Universal Credit, monthly in arrears, they will be ready for the change.

The 1% rent reduction will help our residents but will reduce our income and we have revised our financial plans for 2016-17 to implement planned cost reductions alongside a restructuring of our development programme to increase the proportion of homes for sale (through shared ownership or outright sale) compared to those available for rent.

Changes in housing and planning legislation introduced under the Housing and Planning Act 2016 offer potential opportunities to drive value from assets through more active asset management. In particular the relaxation of regulatory control through disposal consents should, in time, simplify the disposal process and ease stock rationalisation. The introduction of funded voluntary right to buy may help accelerate stock turnover, although at this stage it is unclear how strong demand will be. In developing new products and programmes we work closely with local authorities to design and deliver innovative schemes, both small and large, that meet local and national planning requirements.

Our efficient technicians are highly valued by customers.

The economy affects all businesses and Paradigm is no exception. Reductions in government spending have meant less grant contribution to the development of homes. Bond markets have become popular sources of finance for housing organisations wishing to fund developments over a 20 or 30 year period at a fixed rate of interest. Paradigm has accessed government-backed long-term funding (Affordable Housing Finance Plc) through the aggregator The Housing Finance Corporation (THFC), drawing down £33m during 2015-16 to finance new developments. Following the vote to leave the European Union in June, the markets generally have become more volatile and the government has indicated a softening of its economic targets.

The commercial property market is under pressure but at this stage it is not clear whether the medium to long-term impact for social housing and the housing market will be positive or negative.

Regulatory change affects all housing providers who are registered with and regulated by the Homes and Communities Agency (HCA). The Regulatory Code, effective from 1 April 2015, focuses on key financial risks including governance, viability and value for money and the Board's response is set out in this Strategic and Board Report. For tenant-related matters greater emphasis continues to be placed on local scrutiny. Paradigm's Residents' Forum meets regularly with management, Board and Committee members and staff to promote residents' views and to scrutinise the organisation's activities in those areas which directly impact on residents such as rent and service charge policy, changes in estate services and management and welfare reform.

VALUE FOR MONEY

Driving value from our asset base will be essential for Paradigm's future success. A new business planning approach, initiated in the second half of the financial year, identified key corporate projects to deliver business improvements in housing management, reactive repairs, procurement and use of systems and technology that will reduce costs, improve quality and ensure effective asset management. Our focus on delivering a fair deal for existing residents whilst managing our assets effectively and focusing on operating efficiency will mean we are able to deliver more new homes to meet the high demand for affordable housing in the areas in which we operate. We use financial and non-financial measures to target specific service areas and to monitor progress in managing or reducing costs, or improving quality.

SURPLUS

Our financial strategy has a clear requirement that we should achieve a minimum annual operating surplus, excluding sales, (40% of turnover) and that each part of the business should make a positive contribution to that surplus. Further information on our financial performance against strategic and operational targets is set out on pages 16 to 18 and summarised below.

INVESTING IN NEW HOMES

We aim to provide a range of housing solutions and information on our performance against agreed targets is included on pages 24 to 26 and summarised below.

CUSTOMER SATISFACTION

The clear message from our customers is that they want us to deliver to agreed standards as reliably and efficiently as possible. As one of the corporate projects, we are revisiting the 'deal' with our tenants, including consideration of our performance measures and targets, and will report further on the outcomes in 2016-17. Our performance against current targets is set out in the section of this report: Running Our Business (page 24) and summarised below.

GOVERNANCE

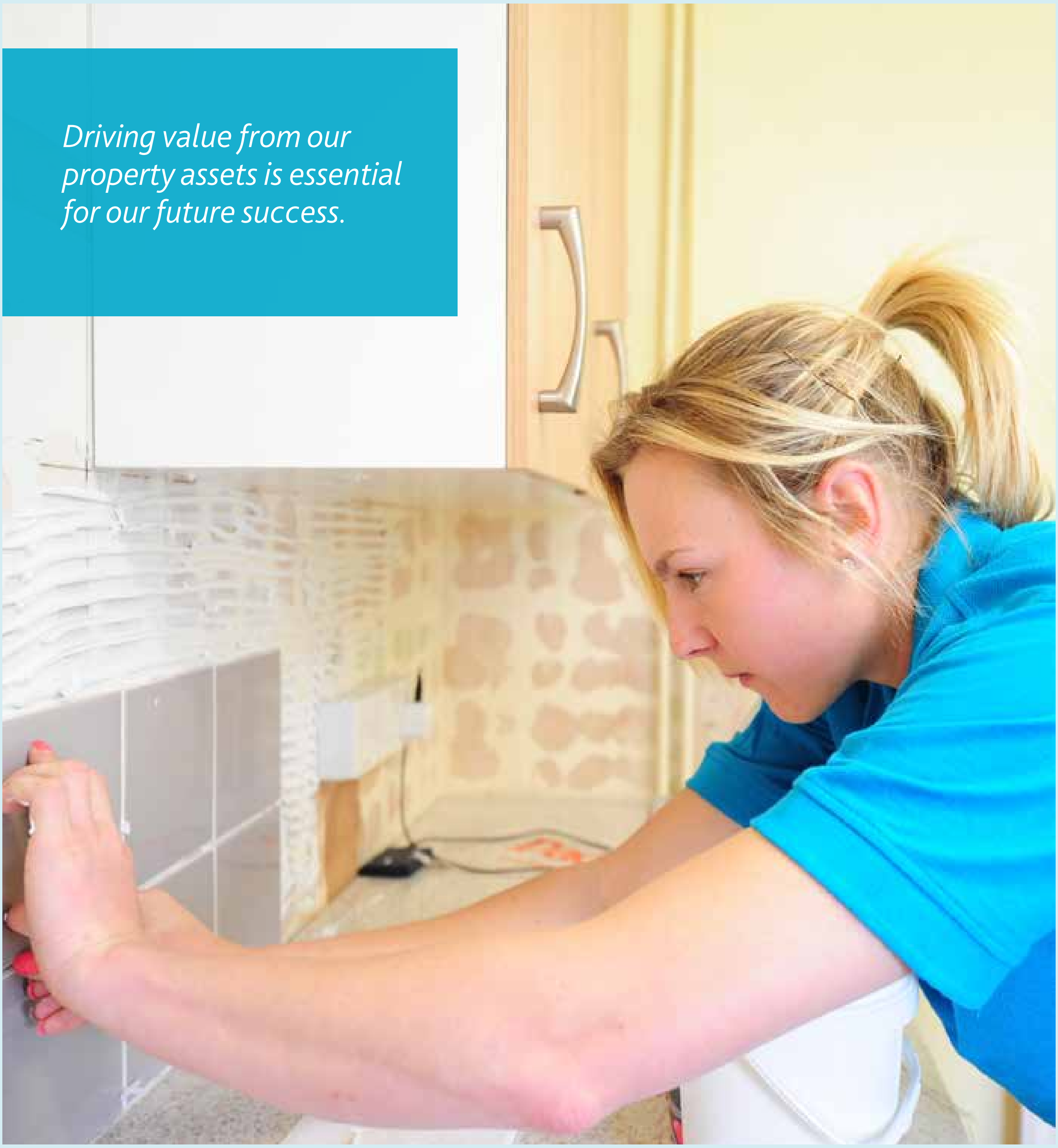
Our Board and Committees review performance throughout the year. In addition, joint Committee and Resident

Forum meetings are held quarterly to challenge how agreed performance measures are being met and confirm improvement action.

SELF-ASSESSMENT OF PERFORMANCE

The regulatory framework published by the HCA includes a specific requirement for registered providers to prepare an annual Value for Money (VfM) self-assessment and report to residents and stakeholders accordingly. Our VfM self-assessment for 2015-16, approved by the Board, is summarised overleaf and detailed in a separate VfM report published in the Annual Reports section of the Group website.

Driving value from our property assets is essential for our future success.



VFM SUMMARY SELF-ASSESSMENT

KEY STRATEGIC TARGET:

Maintaining strong financial health

(Page 20)

- Achieving target surpluses (Figure 8, page 22). Focus for the next four years is to at least maintain operating surpluses, through reducing our cost base and better procurement
- Our service delivery performance and customer satisfaction has been measured through HouseMark comparison against peers, and satisfaction surveys from our residents. Our Total Cost per Property compared against developing associations operating in London and the South East is shown in Figure 5 (page 18). Total costs reduced from 2014-15 to 2015-16 although our planned works programme reflects a focus to continuously improve our property assets. The overall cost is still high and we are continuing to reduce it through improved procurement and operating efficiencies
- As a housing business we must make the best use of our asset base and we do this by:

  - Converting properties to Affordable Rents. In 2015-16 we achieved 231 conversions (target: 264), increasing income by £266k, enabling additional borrowing of £4.6m.

  - Assessing whether to dispose of or retain void properties by considering: cost in use, cost of repair and sustainability of demand. We sold 18 void properties generating a £1m surplus (2014-15: £1.7m). For 2016-17 we are undertaking a fundamental review of our approach to asset management, retention and disposal

  - Developing a more robust measure of Return on Assets for social housing as part of our corporate project on asset management

- Procurement improvements in 2015-16 are anticipated to save over £1m each year going forward. Further savings are anticipated through the re-tendered Gas Servicing and Asbestos Removal/Remediation contracts although these will vary with numbers of properties. Other areas for review in 2016-17 include: building materials, building works and roofing and lift servicing and maintenance – where savings will benefit residents directly through lower service charges.

KEY STRATEGIC TARGET:

Running an excellent business

(Page 24)

- Performance against agreed indicators has highlighted key areas of improvement including reducing void relet times to 22 days (2015: 26 days, target: 21 days) and controlling rent arrears at 2.8% (2015: 2.8%, target: 3.0%). We will continue to challenge ourselves in these areas during 2016-17
- Last year we reported lower customer satisfaction with repairs and introduced service improvements to focus on 'right first time' and clearer communication. We are pleased to report increased customer satisfaction with repairs, with an independent survey confirming a 'good' standard
- We have stated our commitment to offering our customers a fair deal and started work on the tenant deal project during the year. The aim of this is improve and rationalise our operations so that we reliably deliver good services to our customers. It will also reinforce what we expect from them in return.
- In March 2016 our customers assessed us against HCA Consumer Standards and gave us a clean bill of health. However, a separate internal review of gas compliance identified a small number of properties that had not been identified as requiring a gas safety certificate during the year. The findings were reported to the HCA who, following investigation, concluded no further action needed to be taken
- Our governance arrangements comply with the expectations of the NHF Code of Governance. However, in a changing business environment we need to make sure that our arrangements are cost-effective and align with our business objectives and strategy. We commissioned an independent review of governance in March 2016 with outcome and recommendations to be reported in September 2016
- We have continued to invest in both managers and staff during the year, implementing a new approach to performance review and development planning and an updated learning and development strategy
- A staff survey carried out in the second half of the year provided an opportunity for staff to engage with the business and share their views. The response rate was high at 85%, comparing well with levels experienced by our peers, and highlighting strong staff engagement. Each area of the business has an agreed action plan which will be monitored during 2016-17 (page 32).

KEY STRATEGIC TARGET:

Making best use of our property assets

(Page 26)

> The first stage in formulating our asset management strategy for the next four years is completion of a full stock condition survey. This will ensure that we direct future maintenance spend on the basis of clearly defined priorities and run a planned disposal programme where it is uneconomic to retain properties. Access to properties has proved more difficult than anticipated and the completion date has been put back from July to December 2016

> Improved planning of investment works to deliver more works at lower cost and with less disruption for residents. Reduced total cost per property £2,297 (2015: £2,482)

> Ahead of an updated asset management strategy and system, our approach has been to identify likely property disposals when they become void, by reference to anticipated return on essential investment works such as sound insulation. Final approval for disposal is given after consideration by the Asset Review Group. During the year, nine properties were sold realising £727k to invest in new homes.

KEY STRATEGIC TARGET:

Investing in new homes

(Page 28)

> Completed 542 new homes in 2015-16, with a further 1,555 currently on-site. We are on course to exceed the revised target of 500 a year over the next three years

> Delivered in full on our HCA and GLA commitments under the 2011-15 National Affordable Housing Programme

> Confirmed partner for £26.5m grant under the 2015-18 HCA and GLA programmes to deliver 1,202 properties. However, following the rent reduction, the mix and timing of developments is under review and £4.8m grant has been returned

> In appraising schemes we use a target Return on Investment (ROI) of 7%. For 2015-16 we achieved ROI of 7.5%.

KEY STRATEGIC TARGET:

Supporting our customers and investing in communities through the Paradigm Foundation

(Page 30)

> In 2015-16 the Foundation helped 32 individuals with access to work/training or relief of financial hardship, and 34 community-based projects, including Citizens Advice, offering debt advice and other services

> The Foundation provides reactive grant support but also plans to invest in projects that will support delivery of its objectives. In 2015-16 the two-year pilot to help long term unemployed Paradigm residents to access employment, volunteering or further training concluded. Of the 432 people contacted (achieving target), 29 (7%) have accessed training and a further 12 (3%) are employed or working as volunteers. Based on tested methodologies, the net value added is £44k across the two year period. The Foundation is seeking opportunities to roll the approach out to more Paradigm residents

> A second project supported by the Foundation has brought together three Citizens Advice centres across Buckinghamshire to share best practice and transferring skills in providing the Bucks Money Advice Service (BMAS) for Paradigm residents. The service was formally launched in June 2016 and is available to support Paradigm's 6,500 residents across the county.

BENCHMARKING PERFORMANCE

We participate in HouseMark performance benchmarking to assess our performance against a range of financial and non-financial targets in comparison to other housing associations. We recognise there are limitations in this benchmarking as it excludes shared ownership and temporary housing activities, both of which are substantial parts of our business. Our HouseMark comparator group is against fifteen other large housing associations in London and the South East.

The latest available HouseMark data is for 2014-15 and our Total Repairs Cost per Property of £2,483 is shown in Figure 5, together with comparative costs from the other landlords, reflecting a reduction against total costs for the previous year. For 2015-16 the indicative Total Repairs Cost per Property is £2,297, continuing the downwards trend although the proportion of reactive repairs increased. We continue to challenge ourselves on the cost of our service, and our target Total Cost per Property indicator for 2016-17 is to reduce our costs by 10% overall.

TARGETS

In 2016-17 key targets include:

> Annual surplus exceeding 10% of turnover

> Operating cost surplus (excluding first tranche sales) exceeding 40% of turnover

> Interest cover (EBITDA) 1.4

We will monitor performance against these and other targets noted above during the year.

Figure 5 Benchmarking performance against 15 other Registered Providers in London and the South East – Total Repairs Cost per Property 2014-15

“The flat is absolutely beautiful, I was completely taken aback by it.”

Elizabeth moved into a wheelchair-accessible flat in Uxbridge with her son Ben.

A FINANCIALLY SOUND ORGANISATION

As a charitable housing provider it is essential that we make a healthy surplus so we can fulfil our core aims. Our strategy is to provide a fair deal for our customers so that we can re-invest our profit into providing more new homes for people who are unable to access the general housing market. We have assessed our performance in 2015-16 against our key targets agreed at the beginning of the financial year and highlight the outcomes below, together with a summary of financial performance:

KEY TARGETS AND OUTCOMES

KEY TARGETS	OUTCOMES
Operating margin of 40%	> **Operating surplus 39.2%** > **Margin excluding sales 43.5%** > **Summary of financial performance set out below**
Annual surplus exceeding 10%	> **Surplus for the year (as percentage of turnover) 18.3%** > **Summary of financial performance set out below**
Coherent, challenging and annually updated Value for Money strategy	> **Performance against VfM strategy detailed in VfM Report published in the Annual Reports section of the Group website (www.paradigmhousing.co.uk/customer-zone/publications)**
All staff receive Finance Fundamentals training	> **The approach is under review to ensure that it supports delivery of new business plans**

PERFORMANCE – FINANCIAL

The Board is pleased to report a surplus for the year before tax of £21.1m (2015: £14.7m) after spending £16.0m (2015: £16.9m) to maintain our existing housing stock together with a further £8.1m (2015: £8.3m) on investment works so that we continue to provide high quality homes for our residents. Comparative financial information has been adjusted from that reported last year to reflect new accounting standards introduced under 'FRS 102' and implemented this year for the first time. Accounting policies relating to the treatment of housing properties and grants have been particularly affected, with other changes affecting pensions accounting and reserves. The impact of the changes is set out in note 29 of the financial statements (page 71).

The group's five-year income and expenditure accounts and balance sheets are summarised in Figure 6. In view of the changes in accounting policy noted above, adjustments have been made to the comparative information for 2015 but not to earlier years.

INCOME AND EXPENDITURE	Adjusted: FRS 102 2016 £m	 2015 £m	As previously reported 2014 £m	 2013 £m	 2012 £m
Income from social housing letting	85.2	83.5	75.4	70.5	65.1
First tranche shared ownership and outright sales	25.1	18.2	35.9	27.0	6.0
Other operating income	5.0	3.4	4.2	3.7	3.7
Operating income	**115.3**	**105.1**	**115.5**	**101.2**	**74.8**
Repairs and maintenance	16.0	16.9	12.8	12.4	11.9
Management costs	8.8	6.4	7.3	7.1	6.8
Lease charges	7.2	7.6	7.6	8.0	8.0
Property depreciation	9.9	10.7	8.7	7.2	6.2
Cost of first tranche shared ownership and outright property sales	19.0	15.2	31.5	24.9	6.0
Other operating costs	9.1	8.8	9.6	8.7	9.0
Operating costs	**70.0**	**65.6**	**77.5**	**68.3**	**47.9**
Operating surplus	**45.3**	**39.5**	**38.0**	**32.9**	**26.9**
Surplus on sale of fixed assets	5.4	4.7	3.7	3.6	1.5
Net interest payable	*(29.6)	*(30.0)	(28.9)	(25.1)	(23.2)
Tax	–	–	–	(0.1)	–
Surplus for the financial year	**21.1**	**14.2**	**12.8**	**11.3**	**5.2**
Actuarial gain/(loss) in respect of pension scheme	0.8	(0.9)	N/A	N/A	N/A
Total comprehensive income for the year	**21.9**	**13.3**	**N/A**	**N/A**	**N/A**

*Includes movement in fair value of investments

FINANCIAL POSITION	Adjusted: FRS 102 2016 £m	 2015 £m	As previously reported 2014 £m	 2013 £m	 2012 £m
Housing properties at deemed cost or valuation	1182.0	1161.3	1,099.2	903.9	862.6
Other fixed assets	12.1	13.5	14.1	14.8	15.5
Investments (FRS 102 – including investment properties)	18.0	16.9	5.4	5.8	5.5
Net current assets	41.1	18.1	16.0	48.3	32.2
Total assets less current liabilities	**1253.2**	**1210.6**	**1,134.7**	**972.8**	**915.8**
Less: Housing loans, grants and other long term liabilities	730.2	710.1	649.9	640.5	619.9
Less: Net pension liability	10.2	9.6	2.6	3.1	3.0
Total net assets	**512.8**	**490.9**	**482.2**	**329.2**	**292.9**
Capital and reserves	**512.8**	**490.9**	**482.2**	**329.2**	**292.9**

Figure 6 Group highlights, five-year summary

A FINANCIALLY SOUND ORGANISATION *continued…*

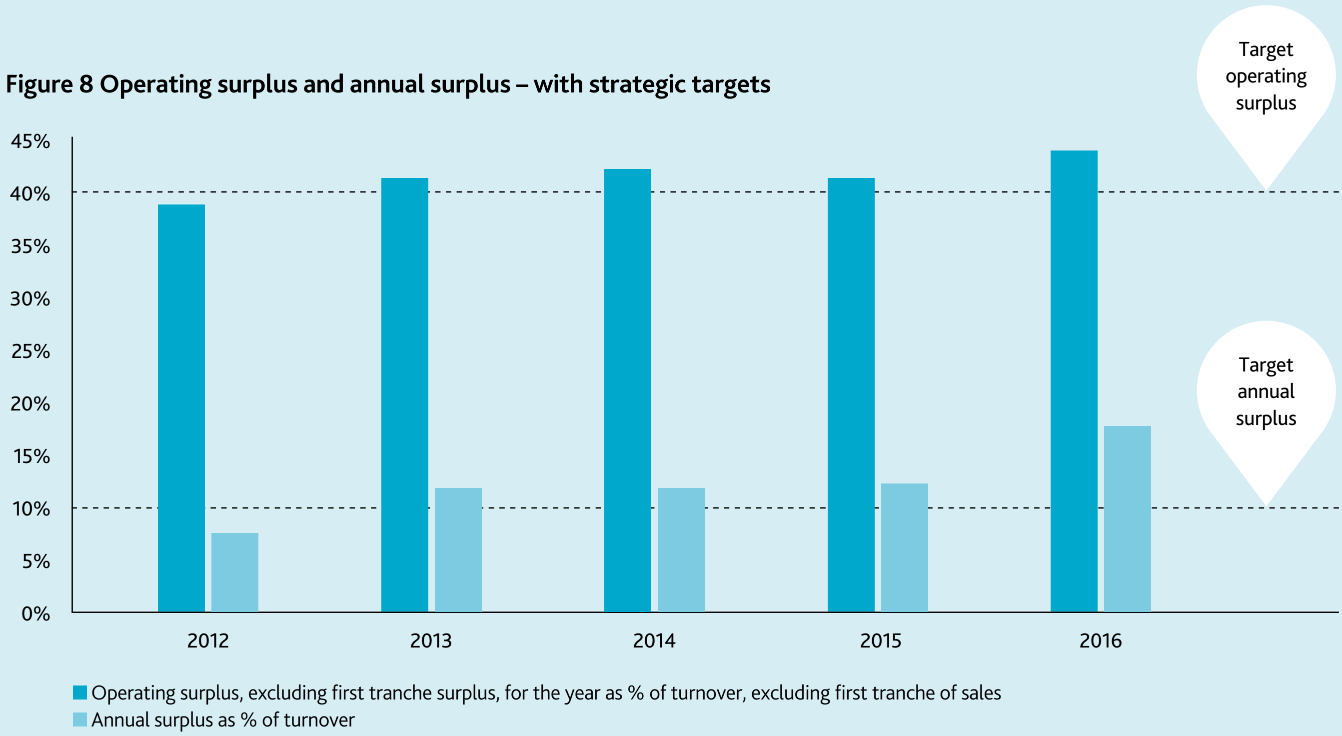
Key financial indicators derived from the financial statements and used to monitor and report performance are shown below.

KEY FINANCIAL INDICATORS	2015-16 TARGET	2016	2015	2014	2013	2012
Operating surplus (% of turnover)	–	39.2%	37.6%	32.9%	32.5%	36.0%
Operating surplus (% of turnover, excluding first tranche sales)	40.0%	43.5%	42.0%	42.2%	41.6%	38.9%
Annual surplus (% of turnover)	10.0%	18.3%	14.0%	11.1%	11.1%	6.9%
Rent losses (voids and bad debt as % of rent and service charges receivable)	1.5%	1.5%	1.6%	1.6%	1.6%	1.3%
Rent arrears (current tenant arrears as % of rent and service charges receivable)	–	5.4%	5.4%	5.0%	4.0%	4.5%
Rent arrears (rolling average adjusted for timing of housing benefit)	2.5%	2.8%	2.8%	3.0%	3.7%	4.4%
Interest cover (Earnings Before Interest Tax Depreciation and Amortisation divided by interest payable and capitalised interest)	1.4	1.8	1.6	1.6	1.8	1.5
Gearing (total loans less cash as % of capital employed)	52.0%	57.5%	57.3%	55.5%	63.8%	66.9%
Return on investment (earnings for the year as % of average total debt)	7.0%	7.5%	6.6%	6.5%	5.9%	5.9%
Return on assets (surplus for the year as % of average total assets)[1]	1.8%	1.7%	1.3%	1.7%	1.6%	0.8%

Figure 7 Key financial indicators

[1]Earlier years (2012 to 2014) as previously reported reflect adjustment for property revaluation

Figure 8 Operating surplus and annual surplus – with strategic targets



> *We make sure our homes are in good repair and the services we provide are responsive and reliable; and in return we expect residents to look after their homes and pay their rent on time.*
>
> David Easson, Chairman

As a percentage of turnover, the group's operating surplus for the year of 39.2% exceeded budget and the previous year (2015: 37.6%). Excluding first tranche sales, our operating surplus was 43.5% (2015: 42.0%), exceeding the strategic target of 40.0% (Figure 8).

During the year we continued our review and change programmes to deliver efficiency improvements and enhance service effectiveness. Progress was monitored and reported regularly to Board. Key areas in 2015-16 were:

> Rent collection and arrears recovery – we maintained strong control over rent arrears and rent collection, introducing 24-hour automated payment from early 2016, together with an enhanced online facility. At the year-end the current arrears level (reported in the financial statements) was 5.4% (2015: 5.4%). For management purposes we monitor a rolling figure that adjusts for the timing of housing benefit receipts paid in arrears by local authorities. Using our rolling measure, year-end arrears were 2.8% (2015: 2.8%) because we have sustained our focus on this over the past five years. We are not complacent and recognise the importance of reducing arrears further, particularly in view of the additional pressures relating to welfare reforms. Our plans for 2016-17 include a review of income collection, including rent arrears.

> Voids and lettings – we have continued to focus on actions to minimise the time that a property is between lettings. A sustained effort across both our Housing and Property Services teams has helped deliver significant improvements in reducing void periods between lettings to 22 days (2015: 26 days) and reduction in associated void rent losses of £445k (2015: £469k). We are targeting a more significant reduction in the cost of voids during 2016-17.

We have used overall management and maintenance costs as key indicators to assess our performance both year on year and by comparison to other registered providers.

RUNNING OUR BUSINESS

We are committed to using commercial disciplines to help us deliver efficiency improvements and we are investing in our staff, supporting their development and holding them to account for effective service delivery.

KEY TARGETS AND OUTCOMES

KEY TARGETS	OUTCOMES
To use our business and customer intelligence on impact, cost and affordability to drive improved standards	> **On-going – suite of indicators developed to drive performance improvements and inform operational decisions are being refined to ensure they support our plans for delivering future services.**
Greater accessibility and self-service options	> **Achieved – automated telephone and online payments introduced during the year. Plans for 2016-17 include updates to our website and customer portal.**
The production of easy to read and accessible standards for customers and staff	> **On-going – our service standards were refreshed following consultation with residents and staff. We are reviewing them as part of the tenant deal project.**
Increased customer satisfaction	> **Achieved – positive satisfaction from survey results and year-on-year improvement noted based on smaller samples from 'rate your repair' card.**
To have a comprehensive training strategy from induction to leadership development	> **On-going – we have continued to support apprentices in our Property Services team whilst, across the business, introduction of aspiring manager training has strengthened leadership development.**
To introduce a new Total Reward strategy	> **On-going – continues to be reviewed and renewed.**
To introduce and embed the new governance structure and to carry out a thorough governance compliance assessment	> **On-going – we have commissioned an independent review of the governance structure to ensure it aligns with our plans for delivering future services. The outcome will be reported in September 2016**

PERFORMANCE – OPERATIONS

Delivering high quality services for our residents is a key focus for Paradigm. During the year we introduced service improvements including better, more timely information for managers and technicians; and changing suppliers to achieve a more consistent standard of materials and equipment. We are pleased to report an increase in customer satisfaction with repairs to 81.0% for the year (2015: 76.5%) compared with the target of 85.0%. The existing satisfaction measure is based on feedback via 'rate your repair' cards in September 2015, we appointed an external agency to undertake a more in-depth survey reaching 400 customers. The survey results confirmed our customer satisfaction with a Customer Satisfaction Index of 78 placing us in 'green' or 'good' standard.

Other highlights include:

- £7.2m (2015: £9.1m) spent on planned maintenance, where a focus has been on health and safety including asbestos removal, gas servicing and compliance with fire regulations; as well as cyclical internal and external decorations
- high management focus on responsive repairs which has resulted in lower costs in the last quarter of the year although this was not enough to offset earlier expenditure, resulting in expenditure of £8.8m for the year (2015: £7.8m). High costs of fence repairs and similar storm damage were a factor

- we have been developing a new tenant deal so that we are clear about what we commit to do for our tenants and what we expect from them in return. The deal will offer enhanced online and web-based services. Our strategy will be a digital first approach, wherever possible and appropriate. The objective is to balance service delivery and cost so that we continue to fulfil our core purpose of housing more families and individuals who need a home. Introduction of the deal during 2016-17 will mean:
  - clear statement of repairs responsibilities between Paradigm and tenants
  - new response times to customer enquiries
  - improved digital services
  - new investment works standards for kitchen and bathroom replacements
  - new voids standards, focusing on reducing the time taken to re-let properties
- Welfare Reform is a key risk for the group and Paradigm invests in Tenancy Sustainment specialists to minimise instances of tenancy breakdown. The team has continued to support Digital Inclusion initiatives to help residents move online and to work with local authorities to adapt properties for people with disabilities.
- our Private Sector Leasing (PSL) team provides temporary housing solutions by letting properties, mostly leased on short-term leases from private landlords, to people who are on local authority waiting lists but are not high priority. The PSL team has faced a number of challenges this year including greater competition for new properties, and the effects of rent restrictions due to welfare reform measures, particularly the benefit cap. They have improved void and bad debt performance in delivering a stronger financial result with a contribution of £0.8m (2015: £0.5m). We work with local authorities in West London and a number of outer London boroughs as well as South Buckinghamshire. This area of the business is anticipated to grow further over the next three years with one area of expansion being homes in multiple occupation. However lower benefit caps mean it will be essential to work closely with local authorities to ensure that tenants are able to meet the cost of their rent.
- once again our involved residents undertook an audit of our performance against the HCA Consumer Standards and reported their findings to the Residents' Forum, and the Board. Overall feedback was that the residents were happy with our performance which met the requirements of the Consumer Standards. However a separate internal review of gas compliance identified a small number of properties that had not been identified in the past as requiring a CP12 gas safety certificate and the findings have been reported to the HCA as required under the Consumer Standards. Following investigation, the HCA concluded that whilst there had been a breach of the Home Standard, no further action was required.

MANAGING OUR PROPERTY ASSETS

Our programme of investing in our properties has been driven by a strategy of achieving a balance between maintaining Decent Homes and addressing fuel poverty. Using existing stock condition data our investment works programme for 2015-18 was developed to concentrate in geographical areas to deliver the works in the most cost effective manner. Completion of a 100% stock condition survey by December 2016 will inform the future asset management strategy for the Group.

We have continued to review properties becoming void before making a decision to retain or dispose of these assets with anticipated return on asset being a factor.

KEY TARGETS AND OUTCOMES

KEY TARGETS	OUTCOMES
Full stock condition survey to be completed by July 2016	> **Following a successful pilot in 2013-14 we have continued our planned approach to deliver more works at lower cost and with less disruption for residents. The reduction in costs is reflected in a lower total cost per property (Figure 6, page 21).**
Fuel poverty and SAP ratings	> **In delivering the investment works programme, a key driver has been to improve SAP ratings, supporting a reduction in fuel poverty.**

INVESTING IN OUR PROPERTIES

We have continued to invest in our property assets with highlights in 2015-16:

- £2.6m spent on 492 boiler replacements so that our residents benefit from more fuel efficient boilers and lower fuel bills
- £1.0m spent on replacement windows and doors, with a further £0.7m spent on roofs, improving thermal insulation in 206 homes
- £0.2m of adaptations to properties for residents with disabilities including wet rooms, through-floor lifts, door-widening and access ramps
- £3.5m spent on our kitchen and bathroom programme, with 491 replacements (2015: £4.1m with 581 replacements

During the year 11 properties were referred to the Asset Review Group for a decision of whether to retain or dispose of the properties taking into account an assessment of future service potential, value to the business, and market value. Nine properties were sold generating a surplus of £727k to reinvest in 29 new properties.

The Executive Director of Business Development is leading a review of our asset management strategy that will inform decisions on future use of assets together with systems requirements to support delivery of the strategy. The review will be completed during 2016-17.

We are committed to improving energy efficiency in our homes, resulting in lower bills for residents.

INVESTING IN NEW HOMES

We believe it is our duty to provide new affordable homes for people who cannot afford to rent or buy in the open market. We aim to provide a range of housing solutions targeted at affordable home ownership as well as rental, including the implementation of a prudent and limited outright sale programme as a way of generating finance and reducing dependence on capital grant funding.

KEY TARGETS AND OUTCOMES

KEY TARGETS	OUTCOMES
Provision of 600 new homes per annum (400 rent, 200 shared ownership).	> **Following the July 2015 budget we revised our development plans and targets for the year, in particular changing the mix of homes developed for rent or sale. In 2015-16 we delivered 542 new homes. We exceeded the building targets in our agreements with HCA and GLA, and increased our housing stock by 3.9%.**
Development and implementation of a Build for Sale strategy	> **Strategy to be developed and implemented alongside plans for investing in a sub-market rent product aimed at people who cannot afford to buy or rent on the open market but do not qualify for the more standard affordable rent products.**
Optimum level of grant achieved from HCA and GLA enabling us to provide more homes	> **We delivered the 2011-15 programme in full and were awarded grant under the 2015-18 programmes to develop 1,202 new homes over the period. This includes an additional 106 units at Lea Bridge House, which provides accommodation for single people in East London, almost doubling the size of that scheme. We have repaid some grant due to the change in the mix of development noted above. However, our redevelopment at Lea Bridge House is well underway, supported by funding from the GLA.**

The high levels of demand for affordable rented homes and low cost home ownership properties in our areas of operation mean that developing new homes continues to be a priority for Paradigm. Factors affecting development include:

- availability of land and sites, a particular constraint within Chiltern District Council where our original post-transfer properties are located
- competition from other registered providers and housebuilders, and planning restrictions
- legislative change imposing rent cuts that affect the valuation of existing stock and our gearing Both of these are key factors in our capacity to borrow to develop more homes, as well as the viability of schemes developed for affordable rent
- availability of materials and labour, which affects tender prices for new developments.

During 2015-16 we:

- delivered 542 (2015: 444) new build properties, with a further 1,555 currently on-site
- converted 386 affordable rented homes to outright sale with an anticipated profit of £28m over the next two years, reducing our borrowing requirement by £70m
- delivered our HCA and GLA commitments, under the 2011-15 National Affordable Housing Programme, in full
- supported low-cost home ownership by selling 196 (2015:188) new homes under shared ownership arrangements, realising income of £25.1m
- started redevelopment at Lea Bridge House to deliver 106 additional units for homeless people, with support from the GLA under the Homelessness Change – Platform for Life programme

Our new development at Honeycroft Hill, Hillingdon provides 36 new homes including 16 supported units.

> completed 36 properties in Honeycroft Hill, Hillingdon – including 16 for supported housing where the support is provided by a third party; and 57 homes for affordable rent and shared ownership at Westlea in Luton, including nine for supported housing

We have continued to develop and deliver more affordable housing in line with our strategic objectives. With an increase of 3.9% in housing stock in 2015-16, Paradigm is one of the fastest growing housing associations in England.

INVESTING IN RESIDENTS AND COMMUNITIES

The Paradigm Foundation is a company limited by guarantee and a registered charity. The Foundation was launched in July 2013 and operates independently from Paradigm, although the Group is its principal donor giving at least 2% of annual profits to the Foundation (see Financial Statements note 36).

Key aims of the Foundation are:

> supporting residents and their families into work, education and training

> alleviating financial hardship through initiatives and small grants relating to income maximisation and financial welfare

> encouraging community involvement through grant funding for small and larger community projects

The Foundation is managed by its five trustees and achievements during 2015-16 include:

> £45k grants awarded to Citizens Advice across the areas in which Paradigm operates, to enable their work providing debt advice, counselling and support, with a further £50k per year allocated for the next two years to support the Bucks Money Advice Service

> £240k grants provided to a number of other not-for-profit organisations and community groups across the areas in which Paradigm operates to underpin wide-ranging projects including: Dial-a-Ride, Slough Furniture Project, Home Start - supporting families, therapeutic horticulture, and New Meaning, offering further education and training to support access into work for young people in more deprived areas

> 32 small individual grants allocated to Paradigm residents for education and training, including work-based schemes to help them into employment, and relief of financial hardship

> Successful pilot employability project aimed at long-term unemployed people. Working closely with Watford Women's Centre, over a two-year period, the pilot made 432 new contacts, although in the second year of the project an alternative approach was tested by posting information to 235 tenants across a wider geographic area and this proved less successful than the direct contact adopted in year one. The project supported 12 people into paid or voluntary work as well as a further 29 into training. Based on a tested methodology of assessing social impact (Community Investment Values from the Social Value Bank), the net social benefit (after taking account of an initial investment of £38k) has been estimated as £44k over the life of the pilot

> Strengthened and extended the financial advice available to Paradigm residents across Buckinghamshire by supporting Bucks Money Advice Service (BMAS), established through joint working with Chiltern, Wycombe and Aylesbury Citizens Advice centres. The service launched formally in June 2016 and has received publicity through the local press and via the Citizens Advice centres. We plan to work with other Citizens Advice centres and registered providers to promote similar joint approaches across other geographical areas so that even more people can benefit.

The Paradigm Foundation continues to support Lindengate, a horticultural therapy project for people with mental health issues.

It's crucially important that this service succeeds.

Wycombe MP Steve Baker speaking at the launch of the Bucks Money Advice Service which has been partly funded by the Paradigm Foundation

The Paradigm Foundation supported 34 community projects including a dance school founded by one of our residents.

DEVELOPING TALENT ACROSS THE BUSINESS

We recognise that the success of our business depends on the quality of managers and staff.

MANAGEMENT AND STAFF

Key initiatives in 2015-16 included:

> a staff survey to measure opinion and provide an outlet for feedback. The response rate of 85% means we have a good basis for understanding staff issues and making necessary changes during 2016-17 to address key concerns raised by staff

> renewal and implementation of Paradigm's learning and development strategy

> investment in a Learning Management System to meet legal and regulatory training requirements, increase efficiency in delivering learning and development, and offer staff more convenient access to training

> continued investment in a management and leadership development programme, including coaching and mentoring

> initiation of refreshed performance review and personal development planning to form part of the Group's talent management and succession planning strategies in 2016-17

At executive director level, Alison Hadden (Chief Executive) left Paradigm in May 2015 with Matthew Bailes joining in September. Gary Robinson joined as Executive Director of Corporate Services and Lee North-Smith has led our Property Services team as Interim Executive Director since February 2016. Tracey Gray was confirmed as the permanent Executive Director of Housing in April 2016. We have also now appointed Andrew Lovelace as our new Executive Director of Finance, replacing Andy Nicol who is retiring after almost 25 years with Paradigm.

PENSIONS

Paradigm participates in pension schemes with two providers: the Pensions Trust (Social Housing Pension Scheme 'SHPS') and Buckinghamshire County Council Pension Fund 'BCCPF' (Financial Statements note 23).

All employees are eligible to opt into one of the pension schemes in which the Group participates.

EQUALITY AND DIVERSITY

Paradigm has embedded equality and diversity within its governance and culture so that we take positive action to:

> eliminate discrimination, harassment and victimisation

> advance equality of opportunity

> foster good relations between people

> encourage people to participate in public life or in any other activity in which their participation is disproportionately low.

Our equality and diversity strategy sets out our approach so that we make sure we comply with both the letter and spirit of equality legislation as an employer and provider of social housing and related activities.

HEALTH AND SAFETY

The Board is aware of its responsibilities on all matters relating to health and safety. Paradigm has prepared and implemented detailed health and safety policies for both residents and staff. All staff receive relevant training and education on health and safety as part of their induction and through personal training programmes, participate in follow-on training.

CAPITAL STRUCTURE AND TREASURY POLICY

Paradigm's capital structure is the product of a planned mix of long-term bank borrowings, spread across five main lenders, together with capital market bond issues. On 31 March 2016 the breakdown of borrowings was as set out in Figure 11 above right:

Figure 11 Funding at 31 March 2016

	Arranged £m	Drawn £m	Undrawn £m
Bank loans	662.2	554.9	107.3
'Bond' issues	175.4	150.4	25.0
Total funding	**837.6**	**705.3**	**132.3**

The 'bond' issues have been through 'clubs' including: The Housing Finance Corporation (THFC), Affordable Housing Finance (through THFC), Haven Bond and GB Social Housing.

Borrowing facilities are at both fixed and floating rates of interest in order to manage exposure to interest rate fluctuations. Fixed rates of interest range from 1.775% to 7.00%. Floating rates are no more than 0.45% above the London Interbank Offered Rate (LIBOR). The group has no free-standing derivatives or swaps.

The Board approves the treasury policy and key strategic targets are:

> no more than 75% of debt fixed for more than 20 years (compliant)

> no more than 25% at variable or fixed rates for less than five years (compliant)

> appropriate fixings and/or hedging in place to ensure that no more than 35% of debt can be exposed to interest rate rises in any five year period (compliant).

Following stress-testing of the business plan financial model, the Board approved a £20m 'buffer' to mitigate risks relating to sales demand and possible downwards pressure on house prices.

Paradigm borrows and lends only in sterling and is not exposed to currency risk.

At the year-end the group's drawn borrowings of £705.3m (2015: £683.2m) were repayable as follows:

Figure 12 Maturity profile

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Maturity					
Within one year	4.1	3.9	3.8	3.3	5.0
Between one and two years	6.0	4.0	3.9	3.7	3.3
Between two and five years	14.2	15.2	14.4	13.8	17.7
After five years	681.0	660.1	624.8	616.7	591.4
Total borrowings	**705.3**	**683.2**	**646.9**	**637.5**	**617.4**

Cash inflows and outflows are shown in the consolidated cash flow statement on page 46. The group net increase in cash during the period was £2.8m (2015: decrease £8.4m). Paradigm's lending agreements require compliance with a number of financial and non-financial loan covenants which are closely monitored and reported to Board each quarter. Recent reports confirmed that the group was compliant with loan covenants at the balance sheet date and this is expected to continue in the foreseeable future.

RISKS AND UNCERTAINTIES

RISKS AND UNCERTAINTIES

Key risks are considered and reviewed throughout the year by senior management and the Board. A risk panel, attended by senior managers and Board members including the Audit Committee chair, meets regularly to challenge risks that have been identified and to monitor progress in controlling and mitigating them. A strong focus is maintained on risk management and this is cascaded through the organisation via the Heads of Service. Regular environmental scanning summaries have been circulated to Board and Committee members and all staff to ensure new and emerging risks are promptly identified, recorded, managed and reported. The risk panel reports to the Audit Committee and to the Board.

Key risks reviewed by the Board throughout the year are set out below.

KEY RISK	ACTION TAKEN TO ADDRESS RISK
Failure in the development process Successful delivery of the programme depends on continued support from our funders, including the HCA and GLA, as well as the ability and willingness of development contractors to continue to build our schemes in a challenging economic environment. Cost pressures on contractors who are committed to delivering schemes at prices which may no longer cover costs increase the risk of contractor failure. Paradigm's development programme includes low cost home ownership and a modest number of outright sales. Success depends on demand for the properties. Internal risks include potential errors in development scheme appraisal and failure to control costs.	> maintaining regular contact with the HCA and GLA on the development programme > enhancing credit checks on new contractors and re-assessing existing contractors > monitoring progress of schemes under development, through regular meetings with contractors > continual review of planned developments and re-appraising planned schemes to offer alternative forms of tenure > rigorous review of development scheme appraisal by management and Committee > weekly reports for management team on the local housing market following the vote to leave the European Union (EU)
Change in government policies, legislation or guidance The continued restraints on government spending, in particular Welfare Reforms, rent reductions and pressures on capital grant support, have been identified as key risks to Paradigm. Such changes are outside the Group's control but will affect rent recovery and may impact on the Group's ability to deliver its planned development programme.	> regular review and stress testing of business plan to ensure that the Group has adequate resources to deliver committed activities and development > monitoring rental arrears and working closely with tenants to recover these on a timely basis > strong focus on rent recovery processes, including recovering rent as soon as it falls due (at the beginning of the week or other rent period) > use of automated possession tracker to ensure legal process properly followed > reviewing our cost base to identify cost savings where possible
Poor governance Governance failure is widely acknowledged to be a key factor in those instances where housing providers have failed. A strong, independent board providing a high degree of scrutiny and challenge in key areas is essential, together with effective leadership and management.	> open recruitment process for Board members > Board member terms of office restricted to 9 years > non-executive Board members receive remuneration commensurate with their responsibilities > Board meeting attendance is scrutinised > annual review of Board and Committee members' skills to identify gaps and address through recruitment, training or obtaining specialist support > tenant scrutiny via the Residents' Forum and other areas of resident engagement such as readership panel > all Committee meetings and decisions clearly minuted and reported to Board > independent internal auditors undertake a planned programme of work and report directly to the Audit Committee > periodic independent review of governance arrangements – current review due to report summer 2016

KEY RISK	ACTION TAKEN TO ADDRESS RISK
Funding availability/liquidity Availability of loan finance is critical both to Paradigm, in delivering planned developments and to potential customers who may need to raise finance so they can purchase properties. Key risk elements include: > Increased borrowing costs > Shortage of security, affecting ability to borrow or draw down funds > Loan covenants that have the effect of restricting activities	> clear treasury management strategy and policy, approved by the Board > regular communication with lenders to maintain strong relationships > close monitoring of lenders covenants, reported to the Board > impact of July 2015 budget modelled, stress-tested and reported to Board > impact of June 2016 EU referendum vote modelled, stress-tested and reported to Board > cash availability scrutinised and six month buffer maintained > negotiating new facilities well in advance of need (currently over 5 years facilities with security in progress)
Business planning failure A failure of the business plan financial model could be catastrophic for Paradigm due to the potential impact on loan covenant compliance, relationships with lenders and reputation with key partners and the HCA as regulator. The model underpins all Paradigm's activities and whilst it is possible that external influences may affect the strategic direction and focus for the group, any change needs to be properly recorded so that the impact on the group's financial position can be properly assessed and monitored.	> reserves policy approved by the Board > annual budget and business plan approved by the Board and monitored at least quarterly > board involvement in testing business plan assumptions throughout the year, including stress-testing scenarios > management accounts produced regularly, variances from budget investigated and remedial action taken where applicable > loan covenant compliance monitored and reported to Board regularly > development plans are incorporated into the business plan and any changes are tested against the Group position
Procurement Poor procurement through property services or any other part of the organisation, including non-compliance with legal requirements, would have negative impact on VfM strategy. Strong procurement is a key driver in reducing management and maintenance costs.	> contract procurement is managed centrally by a specialist team, ensuring legal and regulatory compliance > Interim Head of Procurement appointed to review procurement and contract management across the business with a specific focus on property services procurement in 2016-17 > performance indicators used to identify potential areas for review – and consider alternative means of procuring services in order to deliver improved value for money
Health and safety Effective management of health and safety risk is essential for our residents, staff and contractors as well as protecting our reputation. Key areas are: > fire risk > gas safety > asbestos management > water (legionella risk) > personal safety (especially lone working)	> Group health and safety manager reports regularly at Amalgamated Board meeting, on in-house health and safety audits > compliance with gas safety testing, undertaken at every relevant property each year (key performance indicator) – although a management review highlighted some discrepancies in data used to manage the programme which had resulted in a small number of properties being omitted. Action taken promptly to remedy the omission and ensure accurate base data > programme of fire risk assessments > asbestos specialist appointed to advise/support asbestos management in the property services team > lone worker training and badges provided for at risk staff
Reputation Risks associated with enhancing or damaging reputation run across the whole organisation covering strategic and operational areas. Failure to manage and minimise reputational risk could result in loss of confidence from lenders and the regulator which could be catastrophic for the business.	> governance framework > appointment of General Counsel to support the business and strengthen governance > clear safeguarding policy and procedures > continued focus on health and safety of staff and residents as a priority > appointment of new Head of Policy and External Affairs to lead the development and implementation of Communications Strategy from September 2016

INTERNAL CONTROLS ASSURANCE

INTERNAL CONTROLS ASSURANCE

The Board acknowledges its ultimate responsibility for ensuring Paradigm has in place a system of controls that is appropriate to the various business environments in which it operates and for monitoring its effectiveness. The system is designed to manage the risk of failure to achieve business objectives and give reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by Paradigm is on-going and has been in place throughout the year under review and up to the date of approval of the report and financial statements. A summary of the main policies the Board has established and processes it has adopted is set out below:

- Formal policies and procedures are in place, including the documentation of key systems and clearly defined management responsibilities for the identification and control of significant risks
- Financial forecasts, budgets and business plans are prepared to support the Board and management as they monitor key business risks, financial objectives and progress towards financial objectives set for the year and the medium term
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Board
- A comprehensive approach to treasury management has been adopted and this approach is reviewed by the Board at least once a year, with covenant compliance reviewed at every Board meeting
- The Board has approved fraud policies, covering the prevention, detection and reporting of fraud, and the recovery of assets
- The Board has approved anti-bribery and corruption policies
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance
- The Board has delegated responsibility to the Audit Committee to review and report to the Board on reports from management, from the internal auditors (and Resident Internal Auditors) and from the external auditors, to provide reasonable assurance that control procedures are in place and are being followed.

It is the Board's responsibility to establish and maintain a system of internal controls and review its effectiveness. Whilst it cannot delegate this responsibility, it has delegated authority to an Audit Committee to regularly review the effectiveness of internal controls.

A fraud register is maintained and is reviewed by the Audit Committee at each meeting. During the year we detected fraud relating to theft of equipment and tools. The Group has not suffered significant financial loss as a consequence of any incidents or subsequent investigations which have led to staff dismissal. The Board receives and reviews the minutes of Audit Committee meetings.

The Audit Committee has received and considered the annual report of the internal auditor.

CHARITABLE DONATIONS

Charitable donations during the year were £0.32m (2015: £0.33m), primarily the donation to the Paradigm Foundation. There were no political donations.

GOING CONCERN

Paradigm's business activities, current financial position and factors likely to affect future development are set out in this Strategic Report. The Group has in place long-term debt facilities (including £132.3m of undrawn facilities at 31 March 2016), which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. Paradigm's business plan shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

Following the European Union referendum vote in June 2016 we have modelled the impact of uncertainty and volatility in the financial and housing markets on our financial forecasts and covenants and confirm our expectation that the Group will remain compliant with loan covenants in the short and longer term.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

STATEMENT OF RESPONSIBILITIES OF THE BOARD FOR THE REPORT AND FINANCIAL STATEMENTS

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under Co-operative and Community Benefit Society legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the company and Group. In preparing those financial statements the Board is required to:

> Select suitable accounting policies and apply them consistently

> Make judgements and accounting estimates that are reasonable and prudent

> State whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers: Housing SORP 2014 (SORP) have been followed, subject to any material departures disclosed and explained in the financial statements.

The Board is responsible for keeping proper accounting records that are sufficient to disclose with reasonable accuracy at any time the financial position of the Group and company and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. It is also responsible for safeguarding the assets of the company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

At the date of making this report each of the Group's directors, as set out on page 2, confirms that in so far as each director is aware:

> There is no relevant information needed by the Group's auditors in connection with preparing their report of which the Group's auditors are unaware

> Each director has taken all the steps that he or she ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT OF COMPLIANCE

In preparing this Strategic and Board Report, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting for registered social housing providers (2014).

The Board has considered the expectations of the HCA regarding compliance with the Governance and Financial Viability Standard (Homes & Communities Agency, April 2015) and has assessed the Group's compliance. The Board certifies the Group's compliance with the Governance and Financial Viability Standard for the period commencing 1 April 2015 to the date of this report.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 28 September 2016.

EXTERNAL AUDITORS

Following a tender process during the year, Grant Thornton UK LLP offered their resignation as external auditors and RSM UK Audit LLP were appointed. The re-appointment of RSM UK Audit LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 27 July 2016 and signed on its behalf by:

David Easson
Chairman

FINANCIAL STATEMENTS

We are committed to delivering more new homes to alleviate the shortage of affordable housing in London and the South East.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARADIGM HOUSING GROUP LIMITED

We have audited the group and parent association financial statements for the year ended 31 March 2016 (the "financial statements") on pages 39 to 75. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

RESPECTIVE RESPONSIBILITIES OF THE BOARD AND AUDITORS

As explained more fully in the Board's Responsibilities Statement (page 37), the Board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

> give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2016 and of the income and expenditure of the group and the income and expenditure of the Association for the year ended;

> have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 need for our audit.

RSM UK Audit LLP

RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Malborough House
Victoria Road South
Chelmsford
Essex
CM1 1LN
Date: 26 September 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2016 £'000	2015 £'000
Turnover	2	115,283	105,133
Operating costs	2	(69,952)	(65,641)
Operating surplus	**2**	**45,331**	**39,492**
Gain on disposal of property, plant and equipment (fixed assets)	4	5,353	4,683
Interest receivable	7	261	379
Interest payable and financing costs	8	(29,797)	(31,425)
Movement in fair value of investments	21	(57)	1,054
Surplus before tax		**21,091**	**14,183**
Taxation	10	-	-
Surplus for the financial year		**21,091**	**14,183**
Actuarial gain/(loss) in respect of LGPS pension scheme		821	(920)
Total comprehensive income for the year		**21,912**	**13,263**

The consolidated results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 27 July 2016 and signed on their behalf by:

David Easson
Chairman

Timothy Yates
Board member

Ewan Wallace
Secretary

COMPANY STATEMENT OF COMPREHENSIVE INCOME	Notes	2016 £'000	2015 £'000
Turnover	2	20,015	19,853
Operating expenditure	2	(20,928)	(19,407)
Group donation		(250)	(300)
Operating surplus		**(1,163)**	**146**
Interest receivable	7	65	57
Interest payable and financing costs	8	(218)	(290)
Deficit before taxation		**(1,316)**	**(87)**
Taxation	10	-	-
Deficit for the financial year		**(1,316)**	**(87)**
Actuarial gain/(loss) in respect of LGPS pension scheme	23	821	(920)
Total comprehensive expenditure for the year		**(495)**	**(1,007)**

The company's results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 27 July 2016 and signed on their behalf by:

David Easson
Chairman

Timothy Yates
Board member

Ewan Wallace
Secretary

GROUP

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES	Revenue Reserve £'000	Revaluation Reserve £'000	Restricted Reserve £'000	Total Reserves £'000
Balance as at 1 April 2014	**370,549**	**106,887**	**223**	**477,659**
Surplus for the year	14,183	–	–	14,183
Other comprehensive income for the year:				
Actuarial loss in respect of LGPS pension scheme	(920)	–	–	(920)
Transfer from revaluation reserve to income and expenditure reserves	671	(671)	–	–
Transfer of restricted income from unrestricted reserve	(3)	–	3	–
Balance as at 31 March 2015	**384,480**	**106,216**	**226**	**490,922**
Surplus/(deficit) for the year	21,091	–	–	21,091
Other comprehensive income for the year:				
Actuarial gain in respect of LGPS pension scheme	821	–	–	821
Transfer from revaluation reserve to income and expenditure reserves	921	(921)	–	–
Transfer of restricted income from unrestricted reserve	(3)	–	3	–
Balance as at 31 March 2016	**407,310**	**105,295**	**229**	**512,834**

COMPANY STATEMENT OF CHANGES IN RESERVES	Revenue reserve £'000
Balance as at 1 April 2014	**(8,229)**
Deficit for the year	(87)
Other comprehensive income for the year:	
Actuarial loss in respect of LGPS pension scheme	(920)
Balance as at 31 March 2015	**(9,236)**
Deficit for the year	(1,316)
Other comprehensive income for the year:	
Actuarial gain in respect of LGPS pension scheme	821
Balance as at 31 March 2016	**(9,731)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2016 £'000	2015 £'000
Tangible fixed assets			
Housing properties	11	1,181,991	1,161,319
Other fixed assets	12	12,088	13,516
Investment Properties	13	9,373	9,020
Investments	14	8,595	7,896
		1,212,047	**1,191,751**
Current assets			
Properties for sale	15	45,413	9,633
Debtors	16	9,565	11,029
Short term investments	17	117	17,124
Cash and cash equivalents		11,138	8,374
		66,233	**46,160**
Creditors: amounts falling due within one year	18	(25,055)	(27,327)
Net current assets		**41,178**	**18,833**
Total assets less current liabilities		**1,253,225**	**1,210,584**
Creditors: amounts falling due after more than one year	19	(730,021)	(709,926)
Provisions for liabilities			
Net pension liability - SHPS	23	(7,273)	(5,977)
Net pension liability - LGPS	23	(2,945)	(3,611)
Other provisions	24	(152)	(148)
Total Net assets		**512,834**	**490,922**
Reserves			
Non equity share capital	26	–	–
Income and expenditure reserve		407,310	384,480
Revaluation reserve		105,295	106,216
Restricted reserve		229	226
Total reserves		**512,834**	**490,922**

The financial statements were approved by the Board on 27 July 2016 and signed on their behalf by:

David Easson
Chairman

Timothy Yates
Board member

Ewan Wallace
Secretary

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2016 £'000	2015 £'000
Current assets			
Debtors	16	17,096	8,258
Cash at bank and in hand		1,946	1,805
		19,042	**10,063**
Creditors: amounts falling due within one year	18	(18,403)	(9,563)
Net current assets		**639**	**500**
Provisions for liabilities			
Net pension liability - SHPS	23	(7,273)	(5,977)
Net pension liability - LGPS	23	(2,945)	(3,611)
Other provisions	24	(152)	(148)
Total Net Assets		**(9,731)**	**(9,236)**
Capital and reserves			
Non-equity share capital	26	–	–
Revenue reserve		(9,731)	(9,236)
Total Reserves		**(9,731)**	**(9,236)**

The financial statements were approved by the Board on 27 July 2016 and signed on their behalf by:

David Easson
Chairman

Timothy Yates
Board member

Ewan Wallace
Secretary

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 £'000	2015 £'000
Net cash generated from operating activities	28	16,510	47,640
Cash flow from investing activities			
Acquisition and construction of housing properties		(34,037)	(77,449)
Purchase of other tangible fixed assets		(125)	(155)
Proceeds from sales of housing properties		16,996	15,575
Social housing grant received		2,897	20,159
Interest received		252	379
		(14,017)	**(41,491)**
Cash flow from financing activities			
Interest paid		(32,984)	(33,761)
New secured loans		53,000	72,031
Repayment of borrowings		(30,889)	(35,751)
Purchase of Investment		(747)	(1,478)
Short term cash deposits		17,007	(15,600)
Repayment of grant		(5,116)	–
		271	**(14,559)**
Net change in cash and cash equivalents		2,764	(8,410)
Cash and cash equivalents at the beginning of the year		8,374	16,784
Cash and cash equivalents at the end of the year		**11,138**	**8,374**

COMPANY STATEMENT OF CASH FLOWS

	Notes	2016 £'000	2015 £'000
Net cash generated from operating activities	28	76	372
Cash flow from investing activities			
Interest received		65	57
Net change in cash and cash equivalents		**141**	**429**
Cash and cash equivalents at the beginning of the year		1,805	1,376
Cash and cash equivalents at the end of the year		**1,946**	**1,805**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Basis of accounting

The financial statements of the Group and company are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice for Registered Social Housing Providers (SORP) 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. The company is a public benefit entry, part of a public benefit group.

This is the first year in which the financial statements have been prepared under FRS 102. Please refer to note 29 for an explanation of the transition.

The financial statements are presented in Sterling (£'000's except where indicated).

The financial statements have been prepared on the historical cost basis of accounting except for investment properties which are accounted for at fair value.

The individual accounts of Paradigm Housing Group have adopted the following disclosure exemptions:

> financial instrument disclosures, including items of income, expenses, gains or losses relating to financial instruments; and exposure to and management of financial risks

Going concern

As noted in the Board Report on page 36 the Board has reasonable expectation that the Group and company will continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Significant management judgements

Exemptions taken on transition to FRS 102

FRS 102 allows entities to elect to measure and item of property, plant and equipment at its fair value on the date of transition and to use that fair value as its deemed cost at that date. The Board has adopted this approach and applied the previous GAAP revaluation (at 31 March 2014) as deemed cost at 1 April 2014.

Impairment of housing properties

The Board has determined whether there are indicators of impairment of its assets and in particular of housing properties carried in the accounts at cost or deemed cost on transition. Factors taken into consideration in reaching such a decision include economic viability and expected future financial performance of the assets.

Classification of financial instruments

In considering the appropriate classification of financial instruments as 'basic' or 'non-basic' the Board has reviewed the definitions given in FRS 102 clause 11 (d). When assessing the 'basic' nature of financial instruments, clause 11.9(b) refers to principal and current/prior interest. Under our agreements breakage costs are payable in respect of future interest payments so the Board does not consider these should be taken into account when assessing whether instruments are 'basic' or 'other'. In addition, clause 11.9(c) states that contractual terms which require the issuer to compensate the holder on early termination do not breach the 'basic' test. Whilst there is no specific mention of compensation from the holder back to the issuer, the Board does not consider silence to be grounds on which financial instruments should be classed as 'other'.

Estimates

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews it's estimate of the useful lives of depreciable assets at each reporting date based on the expected use of the assets. Uncertainties in these estimates relate to technological innovation, maintenance programmes or changes in homes standards that may require more frequent replacement of key components.

Defined benefit obligation

Management's estimate of the defined benefit obligations (in both Local Government Pension Scheme and Social Housing Pension Scheme) 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 both defined benefit obligation and the annual defined benefit expenses (note 23).

Related Party Transactions

The Group has taken advantage of the exemptions permitted under FRS 102 - Related Party Disclosures, and does not disclose transactions with wholly owned group undertakings that are eliminated in consolidation.

Basis of consolidation

The Group accounts consolidate the accounts of the company and all its subsidiaries at 31 March 2016 using acquisition accounting. Details of subsidiaries are shown in note 35.

Turnover and revenue recognition

Turnover for the Group represents rental and service charge income receivable in the year, after deducting voids, income from shared ownership first-tranche sales, sales of properties built for outright sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sale and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. For the company, turnover represents management services to other members of the Group and other services. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Deferred taxation

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in difference periods from their recognition in the financial statements. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For investment properties at fair value (except investment property with a limited useful life held by the company to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the property.

Value Added Tax (VAT)

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is shown as a current liability or asset.

Properties for sale

Shared ownership first-tranche sales, completed properties for outright sale and properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour, direct development overheads, capitalised interest and where appropriate less any grant receivable. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Interest payable

Interest is capitalised on borrowings to finance developments of qualifying assets to the extent that it accrues in the period of development if it represents:

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

b) a fair amount of interest on borrowings of the Group as a whole after deduction of government grants received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable on bank loans is charged to the income and expenditure account in the year in which it is incurred. Capitalised interest and interest on intercompany balances is calculated on a weekly basis at the Group's average external borrowing rate.

Pension costs

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Local Government Pension Scheme (LGPS).

For SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. However, in accordance with FRS 102, the company and Group recognise the deficit funding arrangement as a liability as a net present value of the contributions payable relating to the deficit.

For LGPS, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred taxation, is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

The Group also participates in a defined contribution scheme and the income and expenditure charge represents the employer's contribution payable to the scheme for the accounting period.

Fixed asset investments
Fixed asset investments are stated at market value. Changes in fair value are taken to the Statement of Comprehensive Income.

Donated land
Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation. Where the land is donated by a public body an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

Housing properties
Housing properties are principally properties available for rent and shared ownership and are stated at deemed cost being the Existing Use Value – Social Housing valuation at 31 March 2014 plus subsequent additions at cost.

Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first-tranche sales. The first-tranche proportion is classed as a current asset and related sales proceeds are included in turnover, and the remaining element is classed as a fixed asset and is included in housing properties at cost, less any provisions needed for depreciation or impairment.

Depreciation of housing properties
The Group separately identifies the major components which comprise 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 its estimated useful economic life.

The Group depreciates the major components of its housing properties at the following rates:

Assets	Annual rates	Years
Structure	1.0%	100
Roofs	1.4%	70
Windows and doors	2.5%	40
Kitchens	3.3%	30
Bathrooms	2.5%	40
Heating systems	5.6%	18

Freehold land is not depreciated.

Completed shared ownership properties that are held as fixed assets are generally not depreciated. Where the residual value of the assets exceeds historic cost, due principally to the expectation that staircasing will occur within a reasonable timescale, no depreciation charge arises.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment
Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure. Where an asset is currently deemed not to be providing service potential to the Group, its recoverable amount is its fair value less costs to sell. The group considers local authorities areas to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2014.

Other tangible fixed assets
Depreciation is provided on the cost of other tangible fixed assets on a straight-line basis so as to write them down to their estimated residual values over their expected economic useful lives. The expected useful economic lives are:

Assets	Years
Freehold offices	30
Leasehold office improvements	30 (or the term of the lease, whichever is shorter)
Office equipment and computers	3 – 5
Office furniture	7
Telephone system	7
Scheme furniture and equipment	5 – 10
Photo voltaic panels	25

Investment Properties
Investment properties consist of commercial properties and other properties not held for the social benefit or for the business. Investment properties are measured at cost on initial recognition and subsequently at fair value at year end, with changes in fair values recognised in income and expenditure.

Government Grants
Government grants include grants receivable from the Homes and Communities Agency (HCA), local authorities and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received in relation to housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to the Recycled Capital Grant Fund or Disposal Proceeds Fund and reflected in the Statement of Financial Position.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income.

Nomination grants
Where the Group receives a payment in return for nomination rights (where a council can select a new tenant for a housing association property) over a period of more than one year, the income is held as deferred income in the statement of financial position and amortised over the life of the nomination agreement. Each year an equal proportion of the income is credited to the income and expenditure account, the balance remaining is shown as deferred income in the statement of financial position.

Other grants
Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Association is recognised only when these conditions are met. A grant received before revenue recognition criteria are satisfied is recognised as a liability.

Cash and cash equivalents
Cash and case equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Current asset investments
Investments are stated at market value. Changes in market value are taken to the Statement of Comprehensive Income

Reserves
The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

Restricted reserve
These are funds which can only be used within the objects of the Welwyn Hatfield Foyer Charitable Trust for the following restricted purposes:

> to provide small grants to local employers to help them offer modern apprenticeships in areas of skill shortages to young people in the Welwyn Hatfield area;
> to provide general support for local employment and training schemes for young people in the Welwyn Hatfield area, linked to the Welwyn Hatfield Foyer project;
> to provide community initiatives in the Welwyn Hatfield area which support activities such as anti-poverty, community development, equality, economic regeneration and improving the environment.

The primary objective of the Welwyn Hatfield Foyer Charitable Trust is to relieve poverty by the provision of accommodation and any associated amenities for single homeless persons in necessitous circumstances between the ages of sixteen and twenty five years in the administrative area of Welwyn Hatfield, and to further help those so accommodated who are in need of advice, counselling and other forms of aid to find employment, training, education and other benefit to prepare them for a settled way of life in the community.

Revaluation reserve
Before the properties were carried at deemed cost, whenever there was any re-valuation of housing properties, the difference between the valuation and carrying value of the land and structure elements of housing properties was credited to the revaluation reserve. Where such assets are disposed of any related revaluation surplus is transferred to the revenue reserve.

Operating Leases
Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Financial instruments
The Group 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 Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group 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. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a 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 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 profit or loss.

Financial liabilities

Creditors

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 creditor constitutes a financial 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.

Commitments to receive a loan are measured at cost less impairment.

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.

2. Particulars Of Turnover, Cost Of Sales, Operating Costs And Operating Surplus

	2016			
	Turnover	Cost of sales	Operating costs	Operating surplus / (deficit)
GROUP – CONTINUING ACTIVITIES	£'000	£'000	£'000	£'000
Social housing lettings (page 53)	**85,225**	**–**	**(45,789)**	**39,436**
Other social housing activities				
– Supporting People contract income	131	–	(121)	10
– Corporate services	1,013	–	(2,260)	(1,247)
– Development costs	–	–	21	21
– First tranche shared ownership sales	25,131	(18,955)	–	6,176
– Other support services	18	–	–	18
– Office equipment, other rental and licence fees	260	–	(1,020)	(760)
	26,553	**(18,955)**	**(3,380)**	**4,218**
Non-social housing activities:				
– lettings	3,505	–	(1,828)	1,677
	3,505	**–**	**(1,828)**	**1,677**
Total	**115,283**	**(18,955)**	**(50,997)**	**45,331**

	2015			
	Turnover	Cost of sales	Operating costs	Operating surplus / (deficit)
GROUP – CONTINUING ACTIVITIES	£'000	£'000	£'000	£'000
Social housing lettings (page 53)	**83,508**	**–**	**(46,785)**	**36,723**
Other social housing activities				
– Supporting People contract income	128	–	(130)	(2)
– Corporate services	174	–	(548)	(374)
– Development costs	–	–	(352)	(352)
– First tranche shared ownership sales	18,232	(15,182)	–	3,050
– Other support services	14	–	–	14
– Office equipment, other rental and licence fees	342	–	(915)	(573)
	18,890	**(15,182)**	**(1,945)**	**1,763**
Non-social housing activities:				
– lettings	2,735	–	(1,729)	1,006
	2,735	**–**	**(1,729)**	**1,006**
Total	**105,133**	**(15,182)**	**(50,459)**	**39,492**

COMPANY – CONTINUING ACTIVITIES	2016 Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus / (deficit) £'000
Other social housing activities	20,015	(250)	(20,928)	(1,163)
Non-social housing activities	–	–	–	–
	20,015	**(250)**	**(20,928)**	**(1,163)**

	2015 Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus / (deficit) £'000
Other social housing activities	19,853	(300)	(19,407)	146
Non-social housing activities	–	–	–	–
	19,853	**(300)**	**(19,407)**	**146**

There are no social housing lettings within the Company.

Particulars of Income and Expenditure from Social Housing Lettings

GROUP – CONTINUING ACTIVITIES	2016 General needs housing £'000	Supported housing and housing for older people £'000	Temporary social housing £'000	Low cost home ownership £'000	Total £'000	2015 Total £'000
Income:						
Rent receivable net of identifiable service charges	63,111	2,863	9,151	5,536	80,661	76,908
Service income	2,217	996	30	577	3,820	3,960
Fee income	–	–	519	–	519	406
Release of grant	–	–	–	–	–	2,199
Amortised government grants	67	–	–	–	67	–
Revenue grants	123	35	–	–	158	35
Turnover from social housing lettings	**65,518**	**3,894**	**9,700**	**6,113**	**85,225**	**83,508**
Operating costs:						
Management	4,070	679	1,044	750	6,543	5,856
Services	2,348	997	52	611	4,008	3,807
Routine maintenance	7,752	682	392	26	8,852	7,816
Planned maintenance	6,484	663	–	5	7,152	9,058
Bad debts	380	68	120	–	568	588
Property lease charges	13	–	7,214	–	7,227	7,643
Depreciation of housing properties	9,144	741	–	–	9,885	10,705
Other costs	1,366	83	46	59	1,554	1,312
Operating costs of social housing lettings	**31,557**	**3,913**	**8,868**	**1,451**	**45,789**	**46,785**
Operating surplus from social housing lettings	**33,961**	**(19)**	**832**	**4,662**	**39,436**	**36,723**
Void losses	**379**	**66**	**266**	**–**	**711**	**705**

3. Accommodation in Management and Development

At the end of the year accommodation in management for each class of accommodation was as follows:

	Group 2016 Number of properties	Group 2015 Number of properties
Social housing		
General needs housing – social and intermediate rent	8,273	8,453
General needs housing – affordable rent	1,576	1,142
Supported housing and housing for older people	846	829
Low cost home ownership	1,829	1,685
Temporary social housing	42	40
Total owned	**12,566**	**12,149**
Temporary social housing – short leasehold	626	678
Accommodation managed for others	20	33
Total owned and managed	**13,212**	**12,860**
Non-social housing		
Market rented properties	192	216
Leasehold flats	687	610
Total owned and managed	**879**	**826**
Accommodation in development at 31 March:		
General needs housing	587	705
Low cost home ownership	629	736
Outright sales	339	42
Total under development	**1,555**	**1,483**

4. Surplus on Sale of Fixed Assets

	Housing properties	Other fixed assets	Group 2016 Total £'000	Group 2015 Total £'000
Proceeds	16,766	230	16,996	16,046
Transfer to Recycled Capital Grant Fund	(2,028)	–	(2,028)	(1,850)
Net book value of properties sold	(9,314)	(100)	(9,414)	(9,093)
Other costs	(201)	–	(201)	(420)
	5,223	**130**	**5,353**	**4,683**

5. Employees

AVERAGE MONTHLY NUMBER OF EMPLOYEES EXPRESSED AS FULL TIME EQUIVALENTS	Group and Company 2016 Number	Group and Company 2015 Number
Administration	95	87
Development	30	33
Housing and support	97	103
Maintenance	182	170
	404	**393**

Full time equivalents are calculated based on a standard working week of 37 – 42.5 hours

STAFF COSTS FOR EMPLOYEES INCLUDING EXECUTIVE DIRECTORS	Group and Company 2016 £'000	Group and Company 2015 £'000
Wages and salaries	14,403	13,906
Social security costs	1,285	1,267
Pension costs	2,594	654
	18,282	**15,827**

The staff numbers and costs above exclude non-executive members of the Board (note 6).

Pension costs relate to participation in the Local Government Pension Scheme (LGPS), in the Social Housing Pension Scheme (SHPS) or in defined contributions stakeholder arrangements. Further information on LGPS and SHPS is given in note 23.

6. Directors' and Senior Staff Emoluments

DIRECTORS ARE DEFINED AS MEMBERS OF THE BOARD, INCLUDING THE CHIEF EXECUTIVE	Group and Company 2016 £	Group and Company 2015 £
Executive directors	840,254	891,333
Non-executive directors	81,653	83,126
Aggregate emoluments payable to directors including pension contributions and benefits in kind	**921,907**	**974,459**
Cost of directors (as above) including employers NI	**997,786**	**1,069,042**
Highest paid director:		
Emoluments payable to the highest paid director (2016: the Group Director of Finance, 2015 the Chief Executive)	140,202	160,793

THE FULL-TIME EQUIVALENT NUMBER OF STAFF INCLUDING DIRECTORS WHO RECEIVED EMOLUMENTS	Group and Company 2016 No.	Group and Company 2015 No.
£60,000 to £70,000	8	10
£70,001 to £80,000	1	2
£80,001 to £90,000	3	2
£90,001 to £100,000	2	3
£110,001 to £120,000	1	1
£120,001 to £130,000	1	2
£130,001 and upwards	1	1

Chief Executive pension contributions:

The Chief Executive is an ordinary member of the Defined Contribution Social Housing Pension Scheme (SHPS) (See note 23). The group pays 11% employer contributions on a matched basis and does not make a contribution to any other pension arrangement for the Chief Executive.

7. Interest Receivable and Other Income

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Interest receivable from short term deposits	261	379	–	–
Interest receivable from group companies	–	–	65	57
	261	**379**	**65**	**57**

8. Interest Payable and Similar Charges

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
On bank loans, overdrafts and other loans:				
Pension interest expense	218	290	218	290
Repayable within five years	575	857	–	–
Repayable in more than five years	33,049	33,375	–	–
	33,842	**34,522**	**218**	**290**
Interest payable capitalised on properties in the course of construction	(4,045)	(3,097)	–	–
Total	**29,797**	**31,425**	**218**	**290**
Capitalisation rate used to determine the finance costs capitalised during the period	4.6%	4.7%		

9. Operating Surplus

The operating surplus is arrived at after charging/(crediting):

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Depreciation of housing properties	7,534	8,265	–	–
Depreciation of other owned fixed assets	737	763	–	–
Operating lease rentals				
- land and buildings	7,227	7,643	–	–
- office equipment and computers	–	96	–	–
Auditors' remuneration (excluding VAT)				
- Fees payable to the Association's auditors for the audit of the financial statements	44	54	3	4
- Audit of the financial statements of the Association's subsidiaries pursuant to legislation	9	11	–	–
Total audit services	**53**	**65**	**3**	**4**
- Tax compliance services	–	16	–	–
- All other services	–	2	–	–
Total non-audit services	**–**	**18**	**–**	**–**

10. Taxation

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
UK Corporation tax				
Current tax on income for the period	–	–	–	–
Tax on surplus on ordinary activities	**–**	**–**	**–**	**–**

The tax charge for the period differs to the standard rate of corporation tax as explained below:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Surplus/(Deficit) on ordinary activities before tax	21,091	14,183	(1,316)	(87)
(Surplus)/Deficit from charitable activities	(23,309)	(20,084)	–	–
(Deficit)/Surplus from non-charitable activities	**(2,218)**	**(5,901)**	**(1,316)**	**(87)**
Tax on deficit/ surplus on ordinary activities at standard corporation tax rate of 20% (2015: 21%)	(443)	(1,239)	(263)	(18)
Effects of:				
Expenses not deductible for tax	–	18	–	7
Other permanent differences	293	1,367	2	42
Adjust opening deferred tax to 20%	–	–	–	–
Pension scheme deferred tax asset not recognised	290	(29)	290	(29)
Deferred tax not recognised	(16)	(26)	(29)	(2)
Fair value movement on investment properties	(124)	(100)	–	–
Capital gains	–	9	–	–
Total current tax charge	**–**	**–**	**–**	**–**

Factors that may affect future tax charges

It was announced in the budget 8 July 2015 that the UK corporation tax rate will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. These rates were substantively enacted on 26 October 2015. Further reductions in the UK corporation tax rate to 17% from 1 April 2020 has also been announced but has not yet been substantively enacted.

Deferred tax balances have been stated at a rate at which the items are expected to reverse in line with the dates noted above.

11. Tangible Fixed Assets – Housing Properties – Group

	Housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2015	1,048,227	56,119	136,751	26,495	1,267,592
Additions	1,211	20,823	154	7,951	30,139
Property improvements	5,656	–	–	–	5,656
Transfers to completed schemes	44,141	(44,141)	14,982	(14,982)	–
Disposals	(2,240)	(1,032)	(7,278)	–	(10,550)
Interest capitalised	–	1,279	(1)	562	1,840
At 31 March 2016	**1,096,995**	**33,048**	**144,608**	**20,026**	**1,294,677**
Less Depreciation					
At 1 April 2015	89,990	–	16,283	–	106,273
Charge for the year	7,534	–	–	–	7,534
Eliminated in respect of disposals	(196)	–	(925)	–	(1,121)
At 31 March 2016	**97,328**	**–**	**15,358**	**–**	**112,686**
Net book value at 31 March 2016	**999,667**	**33,048**	**129,250**	**20,026**	**1,181,991**
Net book value at 31 March 2015	**958,237**	**56,119**	**120,468**	**26,495**	**1,161,319**

	2016 £'000	2015 £'000
Freehold land and buildings	1,053,357	1,031,377
Long leasehold land and buildings	127,021	128,661
Short leasehold land and buildings	1,613	1,281
	1,181,991	**1,161,319**

EXPENDITURE ON WORKS TO EXISTING PROPERTIES	2016 £'000	2015 £'000
Completed properties acquired	1,401	3,932
Components capitalised	7,325	7,776
Component write offs	(1,669)	(2,467)
Property Improvements	**5,656**	**5,309**
Other works to existing properties	(36)	793
Amounts capitalised	**7,021**	**10,034**
Amounts charged to the income and expenditure account	16,004	12,823
	23,025	**22,857**

SOCIAL HOUSING ASSISTANCE	2016 £'000	2015 £'000
Government grant received or receivable at 31 March:		
Deferred capital grant (note 22)	20,055	22,216
Grant release to income	321,784	324,040
Total government grant	**341,839**	**346,256**

Valuation of Housing Properties

Completed housing properties are shown at deemed cost, using the Savills valuation as at 31 March 2014.

COST OR VALUATION AT 31 MARCH IS REPRESENTED BY:	2016 £'000	2015 £'000
Historical cost	1,209,166	1,181,160
Less: depreciation	(112,686)	(106,273)
Historical cost net book value	**1,096,480**	**1,074,887**
Revaluation reserve	85,511	86,432
Net book value at 31 March	**1,181,991**	**1,161,319**

Information on valuation of housing properties
Completed properties at 30 November 2015 of 12,515 were valued by Savills (UK) Limited at £937,524k and the net addition of 179 properties since that time are valued by management at £15,249k using the same average level as the valued stock. The following is the valuer's statement:

"Savills (UK) Limited, part of the Savills Group, is a general practice firm providing surveying and valuation services around the country. The valuer is 'external' and our valuation is at 31 March 2016 on an EUV-SH basis.

The valuation has been made in accordance with the current edition of the RICS Red Book and takes into account (where appropriate) the Housing Corporation's "Performance Indicators" for Registered Social Landlords and the new Rent Restructuring Regime applicable from 2002 onwards.

This valuation assumes that annual rent increases are implemented in line with Paradigm Homes Charitable Housing Association's Rent Plan in accordance with the Rent Influencing Regime regulated by The Housing Corporation.

It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise."

In determining the valuation the valuers made use of discounted cashflow methodology. The key assumptions relate to future rent increases, management and maintenance costs and sales. A real discount rate of between 5% and 8% (2015: 4.5% to 6.58%) and a long term inflation rate of 2% (2015: 2.0%) has been assumed.

12. Tangible Fixed Assets – Other – Group

	Freehold office properties £'000	Leasehold office improvements £'000	Photo-voltaic panels £'000	Equipment, fixtures and vehicles £'000	Total £'000
Cost or valuation					
At 1 April 2015	13,687	1,593	1,027	1,918	18,225
Additions	–	16	–	268	284
Disposals	(1,366)	–	–	(680)	(2,046)
At 31 March 2016	**12,321**	**1,609**	**1,027**	**1,506**	**16,463**
Depreciation					
At 1 April 2015	2,723	636	123	1,227	4,709
Charge for the year	410	54	41	232	737
Disposals	(391)	–	–	(680)	(1,071)
At 31 March 2016	**2,742**	**690**	**164**	**779**	**4,375**
Net book value at 31 March 2016	**9,579**	**919**	**863**	**727**	**12,088**
Net book value at 31 March 2015	**10,964**	**957**	**904**	**691**	**13,516**

13. Investment properties non-social housing properties held for letting

VALUATION	2016 £'000	2015 £'000
At 1 April	9,020	9,051
Additions	56	71
Disposals	(325)	(579)
Increase in value	622	477
At 31 March	**9,373**	**9,020**
Number of properties in ownership	**61**	**63**

Investment properties were valued at 31 March 2016. The group's investment properties have been valued by Savills (UK) Limited, part of the Savills Group, a general practice firm providing surveying and valuation services around the country. The full valuation of properties was undertaken in accordance with the Royal Institution of Chartered Surveyors' ("RICS") Valuation - Professional Standards UK, the "RICS Red Book", effective from 6 January 2014 (revised April 2015).

Market rent stocks have been valued on the basis of a discount to vacant possession value to reflect the current assured shorthold tenancies.

In valuing the properties, a discounted cash flow methodology was adopted with the following key assumptions:

	2016	2015
Discounted rate (real)	6.25%	5.00%
Annual Inflation rate (long term)	2.00%	2.00%

14. Investments

	Group		Company	
LONG TERM INVESTMENTS	2016 £'000	2015 £'000	2016 £'000	2015 £'000
The Housing Finance Corporation Ltd	5,876	5,915	–	–
Haven Bond issues security deposit	1,969	765	–	–
AHF Bond	750	1,216	–	–
Valuation at 31 March	**8,595**	**7,896**	**–**	**–**
Cost at 31 March	**6,777**	**6,030**	**–**	**–**

The Haven Bond is redeemable in 2032. All the benefits of the security deposit accrue to the Group and the deposit will be released when the loan is repaid or renegotiated.

15. Properties for Sale

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Properties under construction	40,383	8,025	–	–
Completed properties	5,030	1,608	–	–
At 31 March	**45,413**	**9,633**	**–**	**–**

During the year, £2,205k (2015: £614k) interest costs directly attributable to the financing of properties for sale were capitalised at the average cost of borrowings 4.6% (2015: 4.7%).

16. Debtors

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Rent and service charges receivable	5,503	5,983	–	–
Less bad debt provision	(786)	(942)	–	–
	4,717	**5,041**	**–**	**–**
Social Housing Grant receivable	25	25	–	–
Prepayments and accrued income	3,051	3,758	198	193
Amount owed by group companies	–	–	16,448	7,220
Other debtors	1,772	2,205	450	845
At 31 March	**9,565**	**11,029**	**17,096**	**8,258**

17. Current Asset Investments

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Short-term investments				
Overnight deposits and sinking fund	117	17,124	–	–
At 31 March	**117**	**17,124**	**–**	**–**

18. Creditors: Amounts Falling Due Within One Year

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Trade creditors	2,511	2,639	1,371	1,481
Loans repayable in less than one year	4,056	3,910	–	–
Amounts owed to Group undertakings	–	–	15,929	7,254
Rent and service charges in advance	2,734	2,407	–	–
Corporation tax	–	–	–	–
Other taxation and social security payable	472	332	508	368
Deferred capital grant	135	67	–	–
Other creditors	764	1,820	68	63
Accruals and deferred income	14,383	16,152	527	397
At 31 March	**25,055**	**27,327**	**18,403**	**9,563**

19. Creditors: Amounts Falling Due After More Than One Year

	Group	
	2016 £'000	2015 £'000
Bank loans	701,238	679,273
Other loans	370	370
Deferred income	345	365
Recycled capital grant fund (note 19)	6,742	6,370
Disposal proceeds fund (note 20)	1,406	1,399
Deferred grant (note 22)	19,920	22,149
At 31 March	**730,021**	**709,926**

Bank loans

Of the £701,238k (2015: £679,273k) bank loans due after more than one year and drawn down at 31 March 2016, £691,268k (2015: £667,138k) was fixed with interest rates varying from 1.775% to 7.00%. The balance of £9,970k (2015: £12,135k) has interest rates varying from 0.27% to 0.45% above the London Inter-Bank Offer Rate.

These loans are secured by a first charge on 9,122 of the Group's properties and are repayable as follows:

	Group	
	2016 £'000	2015 £'000
One year or more but less than two years	5,989	4,035
Two years or more but less than five years	14,173	15,162
Five years or more	681,076	660,076
At 31 March	**701,238**	**679,273**

Included in housing loans above are unamortised arrangement fees of £354k (2015: £151k). These fees are being amortised over the period of the loans which range from 12 years to 22 years.

Other loans

This represents deferred land acquisition costs of £370k which under certain circumstances is repayable to the New Towns Commission.

Deferred income

Deferred income represents payments in advance from a charitable organisation for nomination rights and other agreements, amortised over the remaining period of the agreements. The income is released on a straight line basis over the period of the agreement, there are between 1 and 19 years remaining.

20. Recycled Capital Grant Fund

		Group HCA		Company GLA	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
At 1 April		4,905	3,971	1,465	634
Inputs to fund:	Grants recycled	1,025	914	1,003	936
	Interest accrued	15	20	21	8
Recycling of grant	Purchase and development of properties	(1,639)	–	(53)	(113)
At 31 March		**4,306**	**4,905**	**2,436**	**1,465**

Recycled Capital Grant Fund is capital grant provided through the Homes and Communities Agency and local authorities which is repayable in certain circumstances, but for which the Group is proposing to exercise its option to recycle into new projects. Withdrawals from the Recycled Capital Grant Fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties. No amount is due for repayment to the HCA or GLA (2015: nil).

21. Disposal Proceeds Fund

		Group HCA 2016 £'000	2015 £'000
At 1 April		1,399	1,454
Inputs to fund:	Interest accrued	7	7
Withdrawals:	Acquisition of dwellings for letting	–	(62)
At 31 March		**1,406**	**1,399**

Disposal Proceeds Fund comprises the net proceeds from sales of housing properties to tenants under voluntary and statutory purchase grant schemes. Withdrawals from the Disposal Proceeds Fund were used for acquisition of dwellings for letting. No amount is due for repayment to the HCA (2015: nil).

22. Deferred Capital Grant

	Group		Group	
GOVERNMENT GRANT	2016 Completed schemes £'000	2016 Under construction £'000	2015 Completed schemes £'000	2015 Under construction £'000
At 1 April	6,723	15,493	–	3,140
Grant received in the year	–	3,022	–	19,076
Grant repaid in the year	–	(5,116)	–	–
Transfer to completed schemes	6,764	(6,764)	6,723	(6,723)
Disposal	–	–	–	–
	13,487	**6,635**	**6,723**	**15,493**
Grant Amortised	(67)		–	–
At 31 March	**13,420**	**6,635**	**6,723**	**15,493**
Amounts to be released within one year	135	–	67	–
Amounts to be released in more than one year	13,285	6,635	6,656	15,493
At 31 March	**13,420**	**6,635**	**6,723**	**15,493**

	Group	
OTHER GRANT	2016 £'000	2015 £'000
At 1 April	–	–
Grant received in the year	–	347
Released to Income	–	(347)
At 31 March	**–**	**–**

23. Pension Obligations

The Group contributes to two defined benefit schemes, the assets of which are held in separately administered funds under the management of Buckinghamshire County Council (Local Government Pension Scheme) and the Social Housing Pension Scheme administered by The Pensions Trust.

For the Social Housing Pension Scheme, the is not sufficient information to account for the scheme as a defined benefit scheme, so is accounted for as a defined contribution scheme. However, in accordance with FRS 102, the company recognise the deficit funding arrangement as a liability as a net present value of the contributions payable relating to the deficit.

In accordance with FRS102, pension costs in relation to the Buckinghamshire County Council Pension Fund are recognised in the accounting period in which the benefits are earned and the related finance costs are recognised in the accounting period in which they arise. The pension costs are charged in the accounts in accordance with valuation advice prepared by qualified actuaries using the projected unit method. The assumptions which have the most significant effect upon these valuations are those relating to the difference between the rate of return on investments and the rate of increases in salaries and pensions.

The Pensions Trust – Social Housing Pension Scheme (SHPS)

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 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 with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions	
Tier 1: From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2: From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3: From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4: From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

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.

The Pensions Trust – Social Housing Pension Scheme (SHPS)

PRESENT VALUES OF PROVISION	2016 £'000	2015 £'000	2014 £'000
Present Value of Provision	**7,273**	**5,977**	**6,216**

RECONCILIATION OF OPENING AND CLOSING PROVISIONS	2016 £'000	2015 £'000
Provision at the start of the period	**5,977**	**6,216**
Unwinding of the discount factor (interest expense)	108	177
Deficit contribution paid	(716)	(686)
Remeasurements – impact of any change in assumptions	(43)	270
Remeasurements – amendments to the contribution schedule	1947	–
Provision at the end of the period	**7,273**	**5,977**

INCOME AND EXPENDITURE IMPACT	2016 £'000	2015 £'000
Interest Expense	108	177
Remeasurements – impact of any change in assumptions	(43)	270
Remeasurements – amendments to the contribution schedule	1,947	–
	2,012	**447**

ASSUMPTIONS	2016 % per annum	2015 % per annum	2014 % per annum
Rate of discount	**2.06**	**1.92**	**3.02**

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.

23. Pension Obligations (continued)

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

THE PENSIONS TRUST - SOCIAL HOUSING PENSION SCHEME (SHPS)	2016 £'000	2015 £'000	2014 £'000
Year Ending			
Year 1	924	715	686
Year 2	961	746	715
Year 3	1000	778	746
Year 4	1041	812	778
Year 5	878	847	812
Year 6	701	678	847
Year 7	728	495	678
Year 8	588	515	495
Year 9	438	370	515
Year 10	451	213	370
Year 11	232	219	213
Year 12	–	113	219
Year 13	–	–	113
At 31 March	**7942**	**6501**	**7187**

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.

It is these contributions that have been used to derive the company's balance sheet liability.

Retirement benefits – Buckinghamshire County Council Pension Fund

Some employees of the Group are admitted to the Buckinghamshire County Council Pension Fund ("the Fund"), which is administered by Buckinghamshire County Council in accordance with the Local Government Pension Scheme (LGPS) Regulations 2014, was contracted out of the State Second Pension until April 2016 and currently provides benefits based on career average revalued salary and length of service on retirement. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The triennial valuation of the Fund was due to be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The contribution by the Group during the year was £77k covering an average of 9 employees (2015: £78k covering 10 employees) at a contribution rate of 16% (2015: 16%) of pensionable salaries. The Group estimates that the contribution to be paid to the fund during the accounting period commencing 1 April 2016 is £80k. Employee contributions vary between 6.5% and 8.5% of pensionable pay.

Demographic/Statistical Assumptions

The demographic assumptions that have been used are consistent with those used for the most recent completed Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 90%. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectancy from age 65 are:

	At 31 March		
	2016 Years	2015 Years	2014 Years
Retiring today			
Males	23.8	23.7	23.6
Females	26.2	26.1	26.0
Retiring in 20 years			
Males	26.1	26.0	25.8
Females	28.5	28.4	28.3

Financial Assumptions

The financial assumptions used for the purposes of the FRS102 calculations are as follows:

	At 31 March		
	2016	2015	2014
RPI Increases	3.1%	3.1%	3.5%
CPI Increases	2.2%	2.3%	2.7%
Salary Increases	4.0%	4.1%	4.5%
Pensions Increases	2.2%	2.3%	2.7%
Discount Rate	3.5%	3.1%	4.4%

These assumptions are set with reference to market conditions at 31 March 2016. The discount rate is the annualised yield at the 16 year point on the Merill Lynch AA-rated corporate bond curve which has been chosen to meet the requirements of FRS102 and with consideration of the duration of the Employer's liabilities. Our estimate of the duration of the Employer's liabilities is 16 years.

The Retail Price Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England (BoE), specifically the 16 year point on the BoE spot inflation curve. The RPI assumption is therefore 3.1% p.a. This is consistent with the approach used at the last accounting date. As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, Barnett Waddingham have made a further assumption about CPI which is that it will be 0.9% p.a. below RPI i.e. 2.2% p.a., which is a slightly higher differential than last year. Barnett Waddingham believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. Salaries are then assumed to increase at 1.8% p.a. above CPI in addition to a promotional scale.

23. Pension Obligations (continued)

Retirement Benefits – Buckinghamshire County Council Pension Fund (continued)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016	2016 £'000	2015 £'000	2014 £'000
Present value of funded obligation	(11,661)	(12,651)	(10,978)
Fair value of scheme assets (bid value)	8,992	9,354	8,708
Net liability	**(2,669)**	**(3,297)**	**(2,270)**
Present value of unfunded obligation	(276)	(314)	(294)
Net defined benefit liability	**(2,945)**	**(3,611)**	**(2,564)**

ANALYSIS OF AMOUNT CHARGED IN THE INCOME AND EXPENDITURE ACCOUNT:	2016 £'000	2015 £'000
Service Costs	115	85
Administration Expenses	7	7
Operating costs sub-total	**122**	**92**
Net interest on the defined liability (asset)	110	113
Finance costs sub-total	**110**	**113**
Total charge	**232**	**205**

£122k (2015: £92k) was charged to operating costs and £110k (2015: £113k) was charged to finance costs.

Sensitivity analysis

Sensitivities regarding the principal assumptions used to measure scheme liabilities are set out below:

ADJUSTMENT TO THE DISCOUNT RATE:	+0.1% £'000	0.0% £'000	-0.1% £'000
Present value of total obligation	11,759	11,937	12,117
Projected service cost	96	98	101

ADJUSTMENT TO LONG TERM SALARY INCREASE:	+0.1% £'000	0.0% £'000	-0.1% £'000
Present value of total obligation	11,948	11,937	11,925
Projected service cost	98	98	98

ADJUSTMENT TO PENSION INCREASES AND DEFERRED REVALUATION:	+0.1% £'000	0.0% £'000	-0.1% £'000
Present value of total obligation	12,107	11,937	11,768
Projected service cost	101	98	96

ADJUSTMENT TO MORTALITY AGE RATING ASSUMPTION:	+1 year £'000	none £'000	-1 year £'000
Present value of total obligation	12,336	11,937	11,550
Projected service cost	101	98	96

CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATION:	2016 £'000	2015 £'000
Opening balance defined benefit obligation	12,965	11,272
Current service cost	115	85
Interest cost	392	487
Change in Financial Assumptions	(912)	1,593
Experience loss/(gain) on defined benefit obligation	(15)	5
Estimated benefits paid net of transfers	(612)	(481)
Contributions by scheme participants	25	25
Unfunded pension payments	(21)	(21)
Closing defined benefit obligation	**11,937**	**12,965**

CHANGES IN VALUE OF SCHEME ASSETS:	2016 £'000	2015 £'000
Opening fair value of scheme assets	9,354	8,708
Interest on assets	282	374
Return on assets less interest	(106)	678
Administration expenses	(7)	(7)
Contributions by employer including unfunded	77	78
Contribution by Fund participants	25	25
Estimated benefits paid including unfunded benefits	(633)	(502)
Fair value of scheme assets at end of period	**8,992**	**9,354**

RE-MEASUREMENTS IN OTHER COMPREHENSIVE INCOME	2016 £'000	2015 £'000
Return on fund assets in excess of interest	(106)	678
Change in financial assumptions	912	(1,593)
Experience gain/(loss) on defined benefit obligation	15	(5)
Remeasurement of the net assets/(defined liability)	**821**	**(920)**

24. Holiday Pay

	Group and Company	
	2016 £'000	2015 £'000
As at 1 April	148	–
Increase in provision	4	148
At 31 March 2015	**152**	**148**

25. Deferred Tax

Except as otherwise provided by FRS 102, deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

The elements of deferred taxation are as follows:

	Unprovided deferred tax			
	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Difference between accumulated depreciation and amortisation and capital allowances	(11)	(11)	(11)	(11)
Short term timing differences	–	13	–	–
Pension scheme deficit	(1,839)	(1,917)	(1,839)	(1,917)
Deferred tax asset	**(1,850)**	**(1,915)**	**(1,850)**	**(1,928)**

The above deferred tax assets have not been recognised due to uncertainties as to the extent and timing of its future recovery.

26. Non-Equity Share Capital

	Company	
	2016 £	2015 £
Allotted, issued and fully paid		
At 1 April	10	7
Issued during the year	(1)	3
Surrendered during the year	–	–
At 31 March	**9**	**10**

Each member of the Board, apart from the co-opted members, holds one ordinary share of £1 in the Company.

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions on winding up.

27. Financial Assets and Liabilities

	Group	
	2016 £	2015 £
Financial assets that are debt instruments measured at amortised cost	8,775	10,690
Financial liabilities measured at amortised cost	(721,953)	(702,155)
	(713,178)	**(691,465)**

28. Net Cash Inflow from Operating Activities

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Surplus for the year	21,091	14,183	(1,316)	(87)
Adjustments for non-cash items:				
Depreciation charges	8,271	9,489	–	–
Increase in properties for sale	(35,780)	406	–	–
Decrease / (increase) in debtors	1,464	1,683	(8,838)	(3,401)
(Decrease) / increase in creditors	(3,946)	(978)	8,840	3,880
Increase/(Decrease) in provisions	634	957	634	957
Carrying amount of tangible fixed asset disposals	11,442	10,943	–	–
Remeasurement in LGPS scheme	821	(920)	821	(920)
Movement in fair value of investments	57	(1,054)	–	–
Grants utilised in the year	(67)	(2,199)	–	–
Proceeds from the sale of tangible fixed assets	(16,795)	(15,626)	–	–
Interest payable	29,579	31,135	–	–
Interest receivable	(261)	(379)	(65)	(57)
Net cash inflow from operating activities	**16,510**	**47,640**	**76**	**372**

29. Transition to FRS 102

The Group has adopted FRS 102 for the year ended 2015 and has restated the comparative prior year amounts. The transition date for the group is April 2014.

Changes for FRS 102 adoption

1. Housing Properties
The Group has recognised, as per Section 16 of FRS 102, its commercial properties meet the criteria of Investment Properties. Properties will be valued initially at cost, and subsequently revalued with changes recognised in profit and loss.

The Group has decided to carry its remaining properties at deemed cost on adoption of FRS 102, electing to use the valuation used for the Financial Statements for the year ended 31 March 2014, as allowed under Section 35.10.

2. Grants
Under Section 24, the Association now uses the accrual model to classify government grant on new completed properties. Any properties completed before the adoption of FRS 102 have been treated under the performance model.

Any other grant is treated under the performance model.

3. Investments
Any changes to the value of Long Term Investments will be recognised in the Statement of Comprehensive Income as a remeasurement.

4. Pensions
SHPS Pension - Under Section 28, the group is now required to recognise the net present value of any contractual agreements to make additional payments for a past deficit.

LGPS Pension - Any changes to the assumptions used in the LGPS pension scheme will be recognised in the Statement of Comprehensive Income as a remeasurement.

5. Holiday Pay
An accrual has been made for entitlement to holiday at year end which has not been taken by employees, based on days taken and proportion of leave year completed.

29. Transition to FRS 102 *continued...*

The impact of the changes since transition is set out below:

RESTATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2015 £'000	2014 £'000
Original reserves	503,809	482,229
Fixed assets	(6,788)	1,645
SHPS past service provision	(5,977)	(6,215)
Holiday pay provision	(148)	–
Trade creditors	26	–
Reserves	**490,922**	**477,659**

RESTATED COMPANY STATEMENT OF FINANCIAL POSITION	2015 £'000	2014 £'000
Original reserves	(3,111)	(2,014)
SHPS past service provision	(5,977)	(6,215)
Holiday pay provision	(148)	
Reserves	**(9,236)**	**(8,229)**

RESTATED CONSOLIDATED SURPLUS FOR THE YEAR	2015 £'000
Original profit on ordinary activities before tax	12,305
Release of grant on construction of properties	2,199
Increased depreciation on housing properties due to change in grant policy	(1,286)
Movement in pension figures	59
Holiday pay provision	(148)
Movement in fair value of investments	1,054
Restated surplus for the financial year	**14,183**

RESTATED COMPANY SURPLUS/(DEFICIT) FOR THE YEAR	2015 £'000
Original profit on ordinary activities before tax	2
Movement in pension figures	59
Holiday pay provision	(148)
Restated surplus for the financial year	**(87)**

30. Leasing commitments

The future minimum lease payments of leases are as set out below. Leases relate to temporary housing properties leased from landlords and lease van rental.

Operating lease payments are as follows:

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Within one year	4,577	5,087	553	599
Between one and five years	1,810	5,875	–	111
At 31 March	**6,387**	**10,962**	**553**	**710**

31. Capital Commitments

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	145,324	187,859	–	–
Capital expenditure that has been authorised by the Board but not contracted for	21,191	80,877	–	–
At 31 March	**166,515**	**268,736**	**–**	**–**

The above commitments will be financed primarily through borrowings of £132.4m (2015: £98.4m) which are available for draw-down under existing loan arrangements (note 31), with the balance of £34.2m (2015: £170.3m) partly funded through short term investments of £0.1m (2015: £17.1m), Social Housing Grant and income from property sales.

32. Borrowing Facilities

The Group's undrawn committed borrowing facilities available at 31 March were as follows:

	Group	
	2016 £'000	2015 £'000
Expiring in more than two years	**132,354**	**98,375**

33. Contingent Assets and Liabilities

The Group and Company had no contingent assets or liabilities at 31 March 2016 (2015: nil).

34. Related Party Disclosure

During the year under review, two Group Board members, Iain Foster-Poole and Linda Ives were tenants of the Group during the year and paid rent and received services on exactly the same basis as other tenants. A total of £14k was collected in rent and service charges during the year and there were no outstanding arrears at year end.

35. Subsidiaries

The following are subsidiary undertakings by virtue of the ability of the Company to control the composition of their boards or by exercising dominant influence

Company	Country of registration	Principal activity	Class of shares	% of shares held
Paradigm Homes Charitable Housing Association Limited	England	Provision of social housing	Ordinary	100%
Paradigm Commercial Plc	England	Provision of housing for rent	Ordinary	100%
Paradigm Development Services Limited	England	Provision of development services	Ordinary	100%
Paradigm Maintenance Limited	England	Provision of maintenance services	Ordinary	100%
Welwyn Hatfield Foyer Charitable Trust	England	Foyer support and training	None	
Mary Bailey-Smith Almshouses	England	Provision of almshouses	None	

Principal place of business for the above entities is 1 Glory Park Avenue, Wooburn Green, Buckinghamshire HP10 0DF.

The results of all subsidiaries are consolidated into the results of the Group.

35. Subsidiaries *continued...*

During the year the Company had the following intra-group transactions with its non-regulated subsidiaries:

MANAGEMENT SERVICES PROVIDED BY THE COMPANY TO:	Allocation basis	2016 £'000	2015 £'000
Paradigm Commercial Plc	Accommodation units	30	30
Paradigm Development Services Limited	Payroll costs	2,154	2,277
Paradigm Maintenance Limited	Headcount	10,372	9,946
		12,556	**12,253**

At 31 March the intra-group balances between these companies and Paradigm were:

	2016 £'000	2015 £'000
Paradigm Commercial Plc	3,224	312
Paradigm Development Services Limited	384	20
Paradigm Maintenance Limited	3,526	(3,669)

Management services provided by the Company include administration and management of financial ledgers. The year end balances of subsiduaries include debtor and creditor transactions. Interest is charged on the weight average balance at 4.6% (2015: 4.7%).

36. Related Undertakings

Paradigm Foundation was incorporated on 17 July 2013 and is a registered charity. All decision making is the responsibility of a board of five trustees, one of whom is (Jane Harrison) is an employee of Paradigm, nominated by the Chief Executive as his representative. Paradigm does not control the composition of the board of Trustees of the Foundation but is the Foundation's principal donor.

During the year Paradigm Housing Group Ltd paid donations and received monies from Paradigm Foundation as follows:

MANAGEMENT SERVICES PROVIDED BY THE COMPANY TO:	2016 £'000	2015 £'000
Donations paid by Paradigm Housing Group	318	333
Monies received from Paradigm Foundation (principally grant funding to Small Steps at the Foyer)	(34)	(35)
Total during the year	**284**	**298**

37. Legal Status

The Company is a Community Benefit Society which was incorporated as an Industrial & Provident Society (IPS). The legislation that governs the Society is the Co-operative and Community Benefit Societies and Credit Unions Act 2014. The regulator is the Financial Services Authority. The Company is also registered with the Homes and Communities Agency.

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