

Company registration number: NI029491

Charity registration number: 102460

# Paragon Studios Ltd

(A company limited by guarantee)

Annual Report and Financial Statements

for the Year Ended 31 May 2020

Hopper & Co  
Chartered Accountant  
6 Doagh Road  
Ballyclare  
Co Antrim  
BT39 9BG

# **Paragon Studios Ltd**

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## **Paragon Studios Ltd**

### **Reference and Administrative Details**

<b>Chairman</b>	Ray Cashell
<b>Trustees</b>	Peter Mutschler Aisling O'Beirn Ray Cashell William Saunders Bronagh Lawson Simon Bridge Helen Lavery Dougal Bruce McKenzie Heather Jane Loudon (appointed 6 June 2019 and Resigned 27 May 2020)
<b>Secretary</b>	Bronagh Lawson
<b>Principal Office</b>	11 Rosemary Street Belfast BT1 1QA  The charity is incorporated in Northern Ireland.
<b>Company Registration Number</b>	NI029491
<b>Charity Registration Number</b>	102460
<b>Independent Examiner</b>	Hopper & Co Chartered Accountant 6 Doagh Road Ballyclare Co Antrim BT39 9BG

## **Paragon Studios Ltd**

### **Trustees' Report**

The trustees present their annual report together with the financial statements of the charitable company for the year ended 31 May 2020. The trustees, who are also directors for the purposes of company law and who served during the year and up to the date of this report, are as set out on page 1.

#### **Objectives and activities**

##### ***Objects and aims***

Paragon Studios Ltd ( hereinafter referred to as PS<sup>2</sup> ) has two main objectives:

- 1) to provide good, affordable and long term work spaces for artists
- 2) to invite artists and cultural practitioners to produce and show individual or collaborative new work either inside our project space or at outside locations, often with the inclusion of local communities.

With a strong belief in the relevance of art and its function in society, we aim to find new and surprising ways to facilitate art production and make it accessible. This constant process of connecting art and people is tried out in different ways - through long term projects with communities, relevant subjects, participation, openness and inclusion.

We see our voluntarily run arts organisation as artist led, self organised and restlessly committed to art and its function for the general public, to stimulate reflection, provoke, inspire and transform. We support artists whose work is exciting, original, and make art relevant for many.

We see our position as a colourful building step for artists between the start of and midway through their working career. We provide and facilitate unrestricted and uncommercial opportunities for artists to show their work and interact with the public.

##### ***Public benefit***

Through the provision of workshop and exhibition space for developing artists in all forms of expression to publicly exhibit their work and the undertaking of community based projects, the public at large can benefit from a greater understanding and appreciation of the arts and be encouraged to participate and potentially develop any artistic tendencies they may possess.

The trustees confirm that they have complied with the requirements of section 4 of the Charities Act 2008 to have due regard to the public benefit guidance published by The Charity Commission for Northern Ireland.

## **Paragon Studios Ltd**

### **Trustees' Report**

#### **Achievements and performance**

##### **Funding**

Since the loss of our annual funding from the Arts Council of Northern Ireland in 2018, we again secured National Lottery funding for our arts programme ( July 2019 - June 2020 ) but - like many other organisations - struggle with a standstill budget. The Freelands Artist Programme and its funding by the Freelands Foundation, London, will continue until 2023.

##### **Premises/Studio provision**

Securing longer term premises for the studios/work places and our project space continues to be a struggle. The city centre is getting increasingly geared up for the regeneration process to start which results in short term leases and/or increased rents. After 18 months in Royal Avenue we had to move out again to Rosemary Street into a well kept building with a large project space and more, albeit smaller, studios. This allowed us to take on 3 more artists making us a group of 11 creatives. PS<sup>2</sup> benefits from the use of these new premises on a rent free basis, the notional rent value of £15,890 ( for six months ) is shown as both an incoming and outgoing resource.

##### **Coronavirus impact.**

Due to the Covid-19 regulations, PS<sup>2</sup> had to close its project space to the public from the end of March 2020, like all galleries and museums. All planned projects have been postponed. However, we quickly re-programmed and adapted to do projects online or outdoors. During the lockdown, no studio member used their studios and we offered all studio members a payment holiday or a payment stop in cases of financial hardship. We financially compensated our freelance invigilators as far as this was possible. Despite the uncertainty and short termism of our rent free license agreement, the low contribution we pay for maintenance etc helped us greatly. However, the impact on the arts community through the pandemic is severe as the income of many artists is through temporary work which ceased completely. How the arts and artists will come out after the pandemic remains to be seen. With everyone working from home, art production has been severely interrupted.

##### **Arts Programme**

PS<sup>2</sup> carried out 19 projects within our arts programme involving 59 artists and 12 partnerships with Festivals and arts/community organisations. We welcomed around 2,500 visitors to our project space and 238 participants attended the 14 free workshops. The programme was cut short due to the Covid-19 outbreak when we had to close our project space and switch to online projects. The closure had a sizeable reduction of visitor numbers as a consequence.

## **Paragon Studios Ltd**

### **Trustees' Report**

#### **Selected projects:-**

- Peter Monahan - August 2019. This individual project was part of a longer term series of projects focusing on art and mental health and the underlying campaign for a safe and inclusive workplace in Belfast

- Short Residencies part 2 (June 2019) - through an open call, PS<sup>2</sup> offered artists and creative practitioners its space for a series of 3 - 5 day long residencies. Used for exhibitions, performance, research at the space changed in a fast turnaround, showcasing many creative positions. Short residencies underlined the need for artists/creative practitioners to have a dedicated workspace in order to develop their ideas and show their work to the public..

- We are a frame in time being played in a different space - Isabella McEvoy, January 2020. An autobiographical view on mental health backed up with discussions and film screenings.

- Home Work - online project. Art during the Covid-19 lockdown, May 2020. The open call project addressed subjects of home reclusion, fear, illness and isolation, and listed many links to other sources of funding, Covid-19 guidelines, mental health support and online art projects.

- Expanded Studio Project (March 2018 - September 2019) - following a 5 month long exchange project of 14 Belfast based artists and 14 based in Nottingham, a final outcome exhibition with all 28 artists took place in August 2019. The project tested methods of professional and creative learning, independent from our ongoing Freelands Artist programme.

- Urban Scale Interventions - urban regeneration project June/July 2019. A team of architects researched alternatives for the revitalisation of Royal Avenue and the wider city centre by directly engaging with passers-by.

- Seal Stones - an intergenerational art project. Hannah Casey-Brogan, Eleanor Casey, November 2019. Inter-generational project highlighting that creativity doesn't have age limits, either self-imposed or by arts organisations.

- Slime Dynamics 111 - Jasmin Märker, February 2020. Exhibition and public workshops identifying similarities between non-human territories and ecological communities in partnership with the Science Festival.

#### **Artist support/mentorship**

Throughout the year, PS<sup>2</sup> continued to support artists with advice, references and equipment loans.

The long-term Freelands Artist Programme, funded by the London based Freelands Foundation, enables us to fulfil a more comprehensive support for emerging artists. The programme has 3 key objectives:

1) to support emerging artists in their creative and professional development and bolster their local networks with other artists and arts professionals.

2) to support regional arts organisations in their collaboration with artists, developing best practice approaches to engaging with artists, creating new public engagement programmes and enabling the overall development of arts ecosystems.

3) to sustain and strengthen arts ecosystems by attracting, developing and retaining talent - both artists and arts sector professionals - across the UK.

## **Paragon Studios Ltd**

### **Trustees' Report**

Having selected the first 5 artists for the 2nd cohort in the programme in September 2019, our project curator Alissa Kleist worked with the artists on their individual professional and creative development, applications, web sites, curator visits, theory, research and exhibitions. This programme allows us to support and focus on the career of emerging artists, intensify our knowledge of how best to support them, improve our organisational set-up and identify pathways and obstacles in our regional arts ecology.

#### **Financial review**

##### ***Policy on reserves***

The directors' policy in relation to free reserves is to ensure that PS<sup>2</sup> maintains minimum reserves equivalent to at least two months of normal charitable expenditure in order to maintain liquidity, to cover any unforeseen costs which may arise, and to fulfill obligations of PS<sup>2</sup> in the event current levels of income are not maintained.

Free reserves are defined as total reserves excluding any restricted funds.

#### **Plans for future periods**

##### ***Aims and key objectives for future periods***

The Board completed a Strategic Plan 2019 - 2024 which sets out the parameters to increase our capacity and expertise and to continue to plan for a more sustainable future with longer term premises.

##### ***Activities planned to achieve aims***

To achieve this Plan we need to establish a paid position for a curator/curatorial team, covering all necessary jobs from programming and funding applications to maintenance and installation, currently covered on a voluntary basis by Peter Mutschler. To make this possible, PS<sup>2</sup> and its Board has to look for possible funding sources for an initial 2 year period of employment.

#### **Structure, governance and management**

##### ***Nature of governing document***

PS<sup>2</sup> is a registered charity and a company limited by guarantee and so does not have a share capital. The liability of each member is limited to £1. The company is governed by its Articles of Association.

##### ***Induction and training of trustees***

New Trustees - who are also appointed as Directors - have an induction meeting with the Chair of the Board. They are briefed on a range of issues including a full introduction to the organisation, its decision making process, business plan and recent financial performance, and the roles and responsibilities of a Board member.

##### ***Organisational structure***

A voluntary Board of Directors who are also the Trustees oversees the work of the company and establishes policy and strategy.

The Board changed slightly during the year with the resignation of Heather Loudon. The Board now consists of 4 studio artist members representing the collective and 4 external members with a broad range of professional skills and experience.

Except for the 5 year long Freelands Artist Programme (2018-2023) for which we have funding for a paid curator, all administration and the delivery of the arts programme and activities are carried out by studio members on a voluntary basis. To support and guide them, the company has all necessary policies in place which are reviewed regularly. Throughout the year, the work of PS<sup>2</sup> was greatly supported by the Board and the commitment and dedication of the invited artists and external volunteers.

## Paragon Studios Ltd

### Trustees' Report

#### *Major risks and management of those risks*

##### *Financial sustainability*

The Trustees have a risk management strategy which comprises:

- an annual review of the principal risks and uncertainties that the charity faces
- the establishment of policies, systems and procedures to mitigate those risks identified in the annual review
- the implementation of procedures designed to minimise or manage any potential impact on the charity should these risks materialise

Financial sustainability has been identified as the major risk facing the charity at any point in time.

All identified risks are managed by ensuring that robust policies and procedures are in place. A key element in the management of financial risk is a regular review of available liquid funds to settle debts as they fall due.

#### **Small companies provision statement**

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

The annual report was approved by the trustees of the charity on 9 December 2020 and signed on its behalf by:



.....  
Bronagh Lawson  
Company Secretary and Trustee



## **Paragon Studios Ltd**

### **Statement of Trustees' Responsibilities**

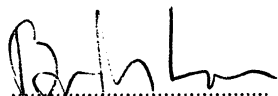
The trustees (who are also the directors of Paragon Studios Ltd for the purposes of company law) are responsible for preparing the trustees' report and the financial statements in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the trustees of the charity on 9 December 2020 and signed on its behalf by:



Bronagh Lawson  
Company Secretary and Trustee

## **Paragon Studios Ltd**

### **Independent Examiner's Report to the trustees of Paragon Studios Ltd**

I report to the charity trustees on my examination of the accounts of the charity for the year ended 31 May 2020 which are set out on pages 9 to 22.

#### **Respective responsibilities of trustees and examiner**

As the charity's trustees of Paragon Studios Ltd (and also its directors for the purposes of company law) you are responsible for the preparation of the accounts in accordance with the requirements of the Companies Act 2006 ('the 2006 Act').

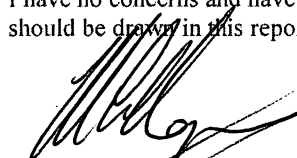
Having satisfied myself that the accounts of Paragon Studios Ltd are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of your charity's accounts as carried out under section 65 (2) of the Charities Act (Northern Ireland) 2008 ('the 2008 Act'). In carrying out my examination I have followed the Directions given by the Charity Commission for Northern Ireland under section 65(9)(b) of the 2008 Act.

#### **Independent examiner's statement**

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

1. accounting records were not kept in respect of Paragon Studios Ltd as required by section 386 of the 2006 Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination; or
4. the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities [applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)].

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.



.....  
Michael Hopper, FCA  
Chartered Accountant

8 Doagh Road  
Ballyclare  
Co Antrim  
BT39 9BG

10 December 2020

# Paragon Studios Ltd

## Statement of Financial Activities for the Year Ended 31 May 2020 (Including Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

	Note	Unrestricted funds £	Restricted funds £	Total 2020 £
<b>Income and Endowments from:</b>				
Donations and legacies	3	18,162	-	18,162
Charitable activities	4	5,919	115,330	121,249
Total income		24,081	115,330	139,411
<b>Expenditure on:</b>				
Charitable activities	6	(21,111)	(108,243)	(129,354)
Total expenditure		(21,111)	(108,243)	(129,354)
Net income		2,970	7,087	10,057
Net movement in funds		2,970	7,087	10,057
<b>Reconciliation of funds</b>				
Total funds brought forward		3,318	12,695	16,013
Total funds carried forward	16	6,288	19,782	26,070
	Note	Unrestricted funds £	Restricted funds £	Total 2019 £
<b>Income and Endowments from:</b>				
Donations and legacies	3	391	-	391
Charitable activities	4	5,081	77,868	82,949
Total income		5,472	77,868	83,340
<b>Expenditure on:</b>				
Charitable activities	6	(6,158)	(70,257)	(76,415)
Total expenditure		(6,158)	(70,257)	(76,415)
Net (expenditure)/income		(686)	7,611	6,925
Transfers between funds		(44)	44	-
Net movement in funds		(730)	7,655	6,925
<b>Reconciliation of funds</b>				
Total funds brought forward		4,048	5,040	9,088
Total funds carried forward	16	3,318	12,695	16,013

All of the charity's activities derive from continuing operations during the above two periods.  
The funds breakdown is shown in note 16.

# Paragon Studios Ltd

(Registration number: NI029491)  
Balance Sheet as at 31 May 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	12	2,223	2,627
<b>Current assets</b>			
Debtors	13	-	1,260
Cash at bank and in hand	14	24,567	12,846
		24,567	14,106
<b>Creditors: Amounts falling due within one year</b>	15	(720)	(720)
<b>Net current assets</b>		23,847	13,386
<b>Net assets</b>		26,070	16,013
<b>Funds of the charity:</b>			
<b>Restricted income funds</b>			
Restricted funds	16	19,782	12,695
<b>Unrestricted income funds</b>			
Unrestricted funds		6,288	3,318
<b>Total funds</b>	16	26,070	16,013

For the financial year ending 31 May 2020 the charity was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

## Directors' responsibilities:

- The members have not required the charity to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

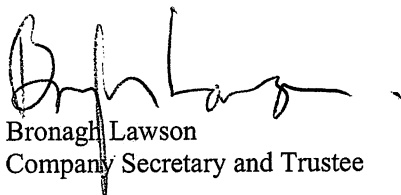
Paragon Studios Ltd

(Registration number: NI029491)  
Balance Sheet as at 31 May 2020

The financial statements on pages 9 to 22 were approved by the trustees, and authorised for issue on 9 December 2020 and signed on their behalf by:



Ray Cashell  
Chairman and Trustee



Bronagh Lawson  
Company Secretary and Trustee

## **Paragon Studios Ltd**

### **Notes to the Financial Statements for the Year Ended 31 May 2020**

#### **1 Charity status**

The charity is limited by guarantee, incorporated in Northern Ireland, and consequently does not have share capital. Each of the trustees is liable to contribute an amount not exceeding £1 towards the assets of the charity in the event of liquidation.

The address of its registered office is:

11 Rosemary Street

Belfast

BT1 1QA

These financial statements were authorised for issue by the trustees on 9 December 2020.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). They also comply with the Companies Act 2006 and Charities Act (Northern Ireland.) 2008 and 2013.

##### **Basis of preparation**

Paragon Studios Ltd meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

## **Paragon Studios Ltd**

### **Notes to the Financial Statements for the Year Ended 31 May 2020**

#### **Going concern**

The financial statements have been prepared on a going concern basis.

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees make this assessment in respect of a period of one year from the date of approval of the financial statements.

In March 2020 the charity took steps (in line with government advice) to help contain the outbreak of COVID-19. This meant that the charity had to slightly curtail, or change, how it operates although the charity has been able to continue the bulk of its activities using online services and adopting Covid compliant practices.

The Covid crisis may accelerate the fall in some of our income. Our ability to survive the crisis will rely on adapting quickly to this fall in income whilst striving to build and find alternatives and doing all we can to be ready for any economic bounce back. The nature of funding is such that the Trustees cannot be certain that projected future funding will materialise.

At the time of approving the accounts, despite financial challenges and following assessment, the Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future, therefore the Trustees continue to adopt the going concern basis of accounting in preparing these financial statements.

#### **Exemption from preparing a cash flow statement**

The charity opted to early adopt Bulletin 1 published on 2 February 2016 and have therefore not included a cash flow statement in these financial statements.

#### **Income and endowments**

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of the income receivable can be measured reliably.

#### ***Donations and legacies***

Donations are recognised when the charity has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance by the charity before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that these conditions will be fulfilled in the reporting period.

#### ***Donated services and facilities***

Where services or facilities are provided to the charity as a donation that would normally be purchased from our suppliers, this benefit is included in the financial statements at its fair value unless its fair value cannot be reliably measured, then at the cost to the donor or the resale value of goods that are to be sold.

## **Paragon Studios Ltd**

### **Notes to the Financial Statements for the Year Ended 31 May 2020**

#### **Expenditure**

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable settlement is required and the amount can be measured reliably. All costs are allocated to the applicable expenditure heading that aggregate similar costs to that category. Where costs cannot be directly attributed to particular headings they have been allocated on a basis consistent with the use of resources, with central staff costs allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use. Other support costs are allocated based on the spread of staff costs.

#### ***Charitable activities***

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

#### **Governance costs**

These include the costs attributable to the charity's compliance with constitutional and statutory requirements, including audit, strategic management and trustees's meetings and reimbursed expenses.

#### **Taxation**

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

#### **Tangible fixed assets**

Individual fixed assets costing £1.00 or more are initially recorded at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

#### **Depreciation and amortisation**

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

#### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the charity will not be able to collect all amounts due according to the original terms of the receivables.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.



## **Paragon Studios Ltd**

### **Notes to the Financial Statements for the Year Ended 31 May 2020**

#### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Financial Activities over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the charity has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### **Foreign exchange**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Other exchange differences are recognised in the Statement of Financial Activities in the period in which they arise except for:

- 1) exchange differences on transactions entered into to hedge certain foreign currency risks (see above);
- 2) exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income; and
- 3) in the case of the consolidated financial statements, exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised in other comprehensive income and reported under equity.

#### **Fund structure**

Unrestricted income funds are general funds that are available for use at the trustees's discretion in furtherance of the objectives of the charity.

Restricted income funds are those donated for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose.

#### **Financial instruments**

##### ***Classification***

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the charity after deducting all of its liabilities.

## **Paragon Studios Ltd**

### **Notes to the Financial Statements for the Year Ended 31 May 2020**

#### ***Recognition and measurement***

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the charity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the charity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the charity, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

## **Paragon Studios Ltd**

### **Notes to the Financial Statements for the Year Ended 31 May 2020**

#### ***Debt instruments***

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

#### ***Investments***

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

## Paragon Studios Ltd

### Notes to the Financial Statements for the Year Ended 31 May 2020

#### *Derivative financial instruments*

The charity uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The charity does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in statement of financial activities immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of financial activities depends on the nature of the hedge relationship.

#### *Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

### 3 Income from donations and legacies

	Unrestricted funds	Total 2020	Total 2019
	General £	£	£
Donations and legacies;			
Donations from individuals	2,272	2,272	391
Donated services and facilities	15,890	15,890	-
	18,162	18,162	391

### 4 Income from charitable activities

	Unrestricted funds	Restricted funds	Total 2020	Total 2019
	General £	£	£	£
Studio fees	5,919	-	5,919	5,081
Arts Council	-	19,764	19,764	18,887
Belfast City Council	-	2,594	2,594	3,981
University of Ulster	-	720	720	-
Halifax	-	2,208	2,208	-
Freelands	-	90,044	90,044	55,000
	5,919	115,330	121,249	82,949

## Paragon Studios Ltd

### Notes to the Financial Statements for the Year Ended 31 May 2020

#### 5 Expenditure on raising funds

#### 6 Expenditure on charitable activities

		Unrestricted funds	Restricted funds	Total 2020	Total 2019
	Note	General £	£	£	£
Studio operating costs		21,111	-	21,111	5,438
Arts Council		-	19,646	19,646	17,243
Belfast City Council		-	2,594	2,594	9,065
University of Ulster		-	402	402	-
Freelands		-	84,477	84,477	43,545
Depreciation, amortisation and other similar costs		-	404	404	404
Governance costs	7	-	720	720	720
		<u>21,111</u>	<u>108,243</u>	<u>129,354</u>	<u>76,415</u>

£21,111 (2019 - £6,158) of the above expenditure was attributable to unrestricted funds and £108,243 (2019 - £70,257) to restricted funds.

#### 7 Analysis of governance and support costs

##### Governance costs

	Restricted funds £	Total 2020 £	Total 2019 £
Independent examiner fees			
Examination of the financial statements	<u>720</u>	<u>720</u>	<u>720</u>
	<u>720</u>	<u>720</u>	<u>720</u>

# Paragon Studios Ltd

## Notes to the Financial Statements for the Year Ended 31 May 2020

### 8 Net incoming/outgoing resources

Net incoming resources for the year include:

	2020 £	2019 £
Depreciation of fixed assets	<u>404</u>	<u>404</u>

### 9 Trustees remuneration and expenses

During the year the charity made the following transactions with trustees:

#### Peter Mutschler

£189 (2019: £775) of expenses were reimbursed to Peter Mutschler during the year.

No trustees, nor any persons connected with them, have received any remuneration from the charity during the year.

### 10 Independent examiner's remuneration

	2020 £	2019 £
Examination of the financial statements	<u>720</u>	<u>720</u>

### 11 Taxation

The charity is a registered charity and is therefore exempt from taxation.

### 12 Tangible fixed assets

	Furniture and equipment £	Total £
<b>Cost</b>		
At 1 June 2019	<u>3,516</u>	<u>3,516</u>
At 31 May 2020	<u>3,516</u>	<u>3,516</u>
<b>Depreciation</b>		
At 1 June 2019	889	889
Charge for the year	<u>404</u>	<u>404</u>
At 31 May 2020	<u>1,293</u>	<u>1,293</u>
<b>Net book value</b>		
At 31 May 2020	<u>2,223</u>	<u>2,223</u>
At 31 May 2019	<u>2,627</u>	<u>2,627</u>

## Paragon Studios Ltd

### Notes to the Financial Statements for the Year Ended 31 May 2020

#### 13 Debtors

	2020 £	2019 £
Trade debtors	-	1,260

#### 14 Cash and cash equivalents

	2020 £	2019 £
Cash at bank	24,567	12,846

#### 15 Creditors: amounts falling due within one year

	2020 £	2019 £
Accruals	720	720

#### 16 Funds

	Balance at 1 June 2019 £	Incoming resources £	Resources expended £	Balance at 31 May 2020 £
<b>Unrestricted funds</b>				
<i>General</i>				
Unrestricted	3,318	24,081	(21,111)	6,288
<b>Restricted funds</b>				
Arts Council NI	1,240	19,764	(20,469)	535
Belfast City Council	-	2,594	(2,594)	-
University of Ulster	-	720	(402)	318
Halifax	-	2,208	-	2,208
Freelands	11,455	90,044	(84,778)	16,721
<b>Total restricted funds</b>	12,695	115,330	(108,243)	19,782
<b>Total funds</b>	16,013	139,411	(129,354)	26,070

# Paragon Studios Ltd

## Notes to the Financial Statements for the Year Ended 31 May 2020

	Balance at 1 June 2018 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 May 2019 £
<b>Unrestricted funds</b>					
<i>General</i>					
Unrestricted	4,048	5,472	(6,158)	(44)	3,318
<b>Restricted funds</b>					
Arts Council NI	-	18,887	(17,647)	-	1,240
Belfast City Council	5,040	3,981	(9,065)	44	-
Freelands	-	55,000	(43,545)	-	11,455
<b>Total restricted funds</b>	<u>5,040</u>	<u>77,868</u>	<u>(70,257)</u>	<u>44</u>	<u>12,695</u>
<b>Total funds</b>	<u>9,088</u>	<u>83,340</u>	<u>(76,415)</u>	<u>-</u>	<u>16,013</u>

### 17 Analysis of net funds

	At 1 June 2019 £	Financing cash flows £	At 31 May 2020 £
Cash at bank and in hand	<u>12,846</u>	<u>11,721</u>	<u>24,567</u>
Net Funds	<u>12,846</u>	<u>11,721</u>	<u>24,567</u>
	At 1 June 2018 £	Financing cash flows £	At 31 May 2019 £
Cash at bank and in hand	<u>10,138</u>	<u>2,708</u>	<u>12,846</u>
Net Funds	<u>10,138</u>	<u>2,708</u>	<u>12,846</u>