



**HORIZON HOUSING ASSOCIATION LIMITED**

**REPORT AND ACCOUNTS**

**For The Year Ended 31 March 2014**

**Financial Conduct Authority No: 1827R (S)**

**Scottish Housing Regulator Registration Number: HEP 128**

**A Registered Scottish Charity - Number: SC011534**

**HORIZON HOUSING ASSOCIATION LIMITED**

**REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014**

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**Registration Particulars:**

Financial Conduct Authority	Industrial and Provident Societies Act 1965 Registered Number 1827R (S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number HEP 128
Scottish Charity Number	SC011534

**Registered Office:**

Leving House  
Fairbairn Place  
Livingston  
EH54 6TN

**HORIZON HOUSING ASSOCIATION LIMITED**

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISORS**

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**Board of Management**

Mr D A McPhail (Chairperson)  
Ms F Wood (Vice Chairperson, elected October 2013)  
Mr G Harper (resigned 18 February 2014)  
Mr P Croft O.B.E.  
Mr W F Rochford M.B.E. (resigned 5 September 2013)  
Mr M C Rodgers (resigned 2 July 2013)  
Ms A Laan-Ra (resigned 19 December 2013)  
Mr R B Hartness  
Ms J Pritchard  
Mr T S Rae (appointed 9 May 2013)  
Mr A Robertson (appointed 9 May 2013, resigned 10 June 2013)  
Ms D Theakstone (appointed 4 July 2013)  
Mr C Baird (appointed 5 September 2013)  
Mr G Carson (appointed 5 September 2013)

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**Executive Officers**

Ms J Fitzpatrick – Managing Director & Secretary  
Ms I Gray – Operations Director

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**Principal Bankers**

Clydesdale Bank  
30 St Vincent Place  
Glasgow  
G1 2HL

**Auditor**

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

**Solicitors**

T C Young  
7 West George Street  
Glasgow  
G2 1BA

## HORIZON HOUSING ASSOCIATION LIMITED

### REPORT OF THE BOARD OF MANAGEMENT

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The Board has pleasure in presenting its report for the year ended 31 March 2014.

#### Principal Activity

The principal activity of Horizon Housing Association is the provision of affordable, barrier free housing for people in need. Horizon Housing Association is registered with the Financial Conduct Authority as a Friendly Association, the Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

Horizon is a member of the Link Group of companies.

#### Houses in Management

During the year, the Association acquired 3 properties under the Access Ownership scheme in Glasgow, Lanarkshire and Falkirk.

The number of properties managed by Horizon was 865 at 31 March 2014. This includes 11 units for shared accommodation for people with support needs; 30 shared ownership properties, 31 properties factored for owner occupiers, 3 properties leased as office accommodation to support agencies and 7 properties managed on behalf of Link Housing Association under the Access Ownership scheme.

#### Houses under Construction

At 31 March 2014, the Association had no properties under construction.

#### Business Review

##### Our Vision and Strategic Aims

Horizon's vision is to see inclusive, sustainable communities where individual housing needs are met, everyone has a home that meets their needs, and communities are designed so everyone can play a part.

Horizon's purpose is to promote and provide affordable housing and services that enable people, irrespective of impairment, to live full independent lives in the community of their choice.

What we do, and how we do it, is driven by our underpinning values. We believe that:

- We are all different, equal and valuable
- Access to housing and services in the community of your choice should not be determined by impairment.
- Disabled people have a right to participate fully in society – to be in the mainstream.
- Disabled people should have the right to housing, services and facilities to enable independent living.

Horizon's aims mirror those of the Link Group:

- Valuing People
- Providing Homes
- Building Communities
- Working together – partnerships and influence

Strategic objectives have been developed from: Board discussions and decisions regarding business development strategy; the Board annual strategic planning day in November; a senior staff focus session in October; and views on the vision, objectives and priorities developed at Horizon's staff workshops held during the year. Horizon's objectives align with those of the Link Group and make a particular contribution to many Link Group strategic objectives.

## HORIZON HOUSING ASSOCIATION LIMITED

### REPORT OF THE BOARD OF MANAGEMENT

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Horizon's strategic objectives are:

#### **Providing Homes**

1. Encourage inclusive design of housing and communities, so that 10% of Link's new rented housing is wheelchair standard.
2. Increase the numbers of disabled people able to get the right home for their needs: by investing in accessible housing registers, adaptations and individual house purchases for rent or shared ownership.
3. Make the most of our property assets: provide attractive, well maintained places where people want to live.

#### **Building Communities**

4. Provide and develop Care and Repair, small repairs and other services to support older and disabled people to remain in their communities, working to involve communities in supporting and sustaining these.

#### **Valuing people**

5. Provide person focused housing services which meet people's needs at different stages of their life - searching for a home, living well in their home and community, affording their home, moving home.
6. Recognise that everyone has something to contribute and support staff, Board members, volunteers, tenants and sharing owners to do so.

#### **Working Together**

7. Work in alliance with others to influence policy and practice on provision and adaptation of housing.
8. Grow our business to include a range of 'housing plus' services, supporting disabled and older people to live safely and well at home.

### **Operational Review**

#### **1. Corporate Governance**

Horizon's Board of Management ("the Board") is elected annually by the members of the Association. The Board is responsible for setting the strategic direction of the organisation and ensuring financial control. It delegates responsibility for the monitoring of its financial and risk management activities to its Finance, Audit and Risk sub-committee ("the Audit Committee"). The members of the Board act in a voluntary capacity, for which they receive no remuneration.

The Management Team is responsible for the implementation of the Association's Business Strategy, ensuring that operational activities are undertaken in line with the policies approved by the Board and the monitoring of performance against the Key Performance Indicators (KPIs) agreed by the Board.

The Board takes its Corporate Governance role very seriously and arranges appropriate induction training for members, encourages and arranges attendance at conferences and training for Board members, and holds an annual governance appraisal and development workshop.

During 2012/13, Board members undertook self assessment, reviewed the required skills, qualities, experience and expertise needed by the Board and identified gaps they wished to fill. This was supplemented in June 2013 with a collective mapping exercise, assessment of Horizon's governance in relation to the regulatory framework and essentials of good governance. Based on the results of this review, an action plan was developed and a programme of training and briefing sessions was developed and introduced.

Following a recruitment process initiated during 2012/13 5 new Board members were appointed during the year, bringing new skills, perspective and expertise to the Board, and 5 Board members resigned.

#### **2. Corporate Structure**

Horizon is a subsidiary of the Link Group Limited (a Registered Social Landlord). Ultimate responsibility for the conduct and control of the Group and its subsidiaries rests with the Link Group Board, while an Independence and Responsibilities Agreement sets out conditions for the autonomous operation of the Association within the Group.

### 3. Performance Management

The Association strives for continuous improvement across its business activities. As part of the Business Planning process, performance targets and Key Performance Indicators (KPIs) are established in consultation with staff. Performance against KPI targets is monitored by the Board on a quarterly basis and reported to tenants and members in our Annual Report. We benchmark our performance in a number of key areas against the performance of the other Link Group subsidiaries and with other Registered Social Landlords (RSLs). Performance against Business Plan objectives is also monitored quarterly by the Senior Team and bi-annual reports are made to the Board. Performance is managed at a team level through regular team meetings, and individual staff performance is developed and appraised at twice yearly reviews.

### 4. Risk Management

The Board, through a Risk Management Working Group has conducted a thorough risk mapping exercise, (analysis of risks facing the Association) identified the risks and prioritised the medium and high level risks which require regular monitoring by the Board. The Audit Committee has responsibility for monitoring and review of risks during the year, with the outcome of this reported to the Board.

### 5. Housing Services

Performance on delivery of housing management services has been challenging in a number of areas, where Horizon's targets have not been met for rent loss from voids, bad debts and arrears. In 2013/14 our target for rent arrears, (excluding technical arrears such as delays in the payment of Housing Benefit), was increased to 2.5% (2013 - 1.9%) of rental income in anticipation of the expected challenges of welfare reforms and the impact these may have on our tenants. Our actual performance at 31 March 2014 was 2.79%, compared with 2.4% last year. Detailed analysis of trends and issues resulting in the increase in rental arrears has been undertaken during the year, and an income maximisation strategy was developed and implemented to tackle the issues. The focus on arrears management will continue to be a key feature in 2014/15 and resources will be identified to support the action plan required to deliver the income maximisation strategy.

In 2013/14 there were a total of 67 void houses (2013 - 46) which resulted in an income loss of £14,960 (2013 - £8,406), representing a loss of 0.4% (2013 - 0.3%) of rental income for the year. The average time taken to re-let a property was 12 days (2013 - 10 days) which exceeded our target of 10 days. This excludes properties that required major repairs. The average time taken to re-let all properties, including those that required major repair, was 16 days (2013 -14), within the target of 18 days.

Demand for housing continues to outstrip the supply of available housing. At 31 March 2014, we had 552 applicants on our housing list (2013 - 697). Over the year we had 288 new applications to assess (2013 - 530).

### 6. Tenant Involvement

During the year we made good progress with a number of initiatives aimed at improving the level of our engagement with tenants and working with Link Group to increase the ways that tenants can be involved in commenting on and developing the Association's services. New policies were approved after tenant consultation, supported by The Tenant Participation Advisory Service (TPAS), for allocations and rent and service charges, both critical policies in relation to Horizon's strategic objectives. Towards the end of the year, Horizon changed its allocations policy, after extensive consultation with applicants and tenant, to a choice based system through Homehunt. This will be implemented in 2014/15 and aims to offer more choice and control to people seeking housing, and improve access to a wider range of properties. Applicants will be able to use Homehunt, with applications processed by Link Housing, and Homes2Fit, a new web-based system which advertises housing for wheelchair users and is operated by Glasgow Centre for Inclusive Living.

A programme of annual estate surveys and visits was continued and feedback provided by tenants. Horizon was delighted to welcome around 40 tenants to its tenant conference in September 2013. The theme was 'Horizon - past and present', as it celebrated 25 years of Horizon history. Tenants and owners travelled from as far as Fife and Ardrossan to attend the conference which was held in Strathclyde Hilton Hotel, Bellshill.

## HORIZON HOUSING ASSOCIATION LIMITED

### REPORT OF THE BOARD OF MANAGEMENT

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#### 6. Tenant Involvement (continued)

There is currently one tenant member on our Board, one tenant member having resigned during the year. Three places on Horizon's Board are reserved for tenant members and one further tenant member started the Board recruitment process in March 2014.

#### 7. Property Maintenance

The Association's reactive repairs performance performed well against targets. This was true for the performance of contractors and of Horizon's In House Maintenance Staff.

96.8% of emergency repairs were carried out within the target timescale of 100% attendance within 7 hours (2013 - 100%). For urgent repairs 95.5% (2013 - 100%) of jobs were completed within the 3 day timescale against a target of 95%; and for routine repairs 95.9% (2013 - 100%) were achieved within 15 days against a target of 95%.

The In House Team carried out the majority of Horizon's cyclical maintenance programme, including external painterwork.

In 2013/14 £0.6M (2013 - £0.4M) was invested in the planned maintenance and improvement of our existing properties; including, replacing and upgrading kitchens, boilers and radiators, doors and windows and upgrading electrical installations and common stair floor finishes. These improvements added to the warmth and amenity of over 150 properties.

As part of Horizon's commitment to Link Group's employability strategy, a total of 5 trainees were employed during the year in the In-House Maintenance Teams under the Scottish Government's Community Jobs Fund. Horizon extended the contracts of 2 of the trainees, who were due to finish their contracts in July 2013, by a further 4 months, funded by Horizon, providing additional paid work experience for these young people.

#### 8. Development Programme

##### New Homes

During 2013/14 a total of £0.2m (2013 - £0.6m) was spent, none of which was funded by grants received from the Scottish Government (2013 - £0.2m). 3 properties were purchased at Glasgow, Lanarkshire and Falkirk, with no grant funding, through the Access Ownership scheme, at a cost of £0.2m.

In 2013/14, Horizon has worked with its West Lothian Development Alliance partners, Almond Housing Association and Weslo Housing Management, to increase the supply of affordable housing for rent in West Lothian. The Scottish Government's increase in grant support has allowed Horizon to progress plans for a development in Stoneyburn to provide 12 properties for disabled and older people.

##### Adaptations

A total of £97k (2013 - £132k) was spent on our Stage 3 adaptation programme, with 60 households assisted through this service, of which £95k was funded by HAG (2013 - £129k) and the remainder by Horizon.

#### 9. Care and Repair

Horizon manages Care and Repair services in West Lothian and North Lanarkshire which help older and disabled people live in their homes in comfort and security and with greater independence.

The service in West Lothian provided adaptations for 175 owners and private tenants (2013 - 197), a key safe fitting and removal service for 575 (2013 - 574) home owners and a Home Safety Unit uplift service for 792 (2013 - 457) clients. In addition a valued small repairs service assisted 526 (2013 - 399) older people across tenures to remain safely in their homes. Horizon successfully retendered for this service in 2013 and was awarded a new three-year contract from 1 September 2013, with an option for a two year extension.

## HORIZON HOUSING ASSOCIATION LIMITED

### REPORT OF THE BOARD OF MANAGEMENT

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#### 9. Care and Repair (continued)

The Care and Repair Service also co-ordinates the adaptations service for Horizon's tenants, which was provided to 60 (2013 – 75) tenants during the year, with 84% (2013 - 62%) of major adaptations completed within 12 weeks of referral against a target of 75%. Work has continued to improve the speed, quality and consistency of service offered with 81% of small repairs completed within 10 working days against a target of 90%.

Horizon also provides the Care and Repair service in North Lanarkshire. From a new base in Airdrie, this service has carried out over 5,000 jobs for older and disabled people across North Lanarkshire since Horizon took over the service in April 2012. The team carries out around 270 repairs and handyperson tasks every month. LinkLiving's Volunteer Services team were recruited by Horizon in 2013 to work in partnership with Horizon's Care and Repair team to develop the volunteer Handyperson Service. With the benefit of LinkLiving's expertise, the numbers of volunteers grew from 2 to 27. The volunteers carried out 1,526 handy person tasks requested by older people in North Lanarkshire over the year.

In its second year of service delivery, the service carried out 3,291 (2013 - 2,665) small repairs and handyperson tasks against a target of 3,144, and achieved target completion times for 75% (2013 - 83%) of small repairs and 90% (2013 - 90%) of handyperson tasks, against a target of 95% for both. In 2014/15, processes will be reviewed to improve the speed of job completion while still seeking to accommodate the increased demand.

#### 10. Other Areas

##### Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Board. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2014, £7.6 million (62%) of borrowings with external funders were subject to fixed interest rates.

##### Budgetary Process

Each year the Board approves the annual budget, rolling five-year strategic plan and the 30 Year financial projections. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Board of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

##### Future Developments

Link and Horizon aim to increase the numbers of homes suitable for wheelchair users provided by the Link Group. In support of this, a target has been agreed that wherever possible 10% of all new developments should be fully wheelchair accessible. In the last three years Link has increased its provision of housing to full wheelchair standard from 3% to 6.5% of its new building as it strives to meet this commitment.

Horizon continues to work in partnership with Almond Housing Association and Weslo Housing Management (the West Lothian Development Alliance) to increase the supply of affordable housing for rent in West Lothian including new housing designed to meet the needs of wheelchair users. The Scottish Government's increase in grant support has allowed Horizon to progress plans for a development in Stoneyburn to provide 12 properties for disabled and older people.

Working together with Renfrewshire Council and Capability Scotland, a comprehensive options appraisal was carried out in 2013 on Wallace Court, Horizon's residential accommodation leased to Capability Scotland as a care home. As a result of this review, a plan to upgrade the building and improve the accommodation for residents has been developed and will be delivered during 2014/15.



## HORIZON HOUSING ASSOCIATION LIMITED

### REPORT OF THE BOARD OF MANAGEMENT

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#### Future Developments (continued)

Horizon and Link Group continue their partnership with Housing Options Scotland to develop the Access Ownership Scheme, which helps disabled people across the country secure properties on the open market on a shared ownership basis, thereby and in turn helping many people who would not be able to afford to buy a home outright. Further resources have been committed to continue the programme in 2014/15, with the next purchase taking the Group-wide investment to over £1 million. Demand for the programme is growing and Horizon therefore plans to secure additional investment to increase the capacity of the project to meet the housing needs of disabled people.

#### Maintenance policies

The Association seeks to maintain its properties to the highest standard. To this end programmes of cyclical maintenance are carried out to deal with and prevent the gradual and predictable deterioration of building components. It is expected that the cost of all this maintenance and associated repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs will be capitalised as required by the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers 2010. (See also note 1 (i) & (j) on Page 17)

#### Component accounting

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association operates component accounting. This accounting treatment ensures the major components of the Association's housing stock are identified and depreciated over their estimated economic life. The cost of any subsequent replacement of a major component is capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. This enables the financial statements to better reflect the use of the component over its life cycle.

#### Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives. A Health and Safety Staff Group meets bi-monthly to review all health and safety matters, and the Board receives quarterly reports on any incidents or accidents and an annual Health and Safety report. Health and Safety is subject to regular internal audit.

#### Rental Income

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The points value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles for Scottish RSLs. The rent and service charge policies were combined in a review carried out in 2013/14. Tenants were consulted on proposals to incorporate standard service charges into the points system and as a result a policy change was approved and implemented for the rent increase effective in April 2014.

#### Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees. Horizon employs 35 staff of which 6% consider themselves to be disabled.

North Lanarkshire Care & Repair service has increased the number of volunteers this year from 2 to 27. The volunteers include two young people with disabilities, funded through an employability scheme operated by Cornerstone, and who are being mentored by other volunteers and staff. Funding for one of the volunteers, who provides administrative support, is about to end. He has developed many skills and is now a valuable team member. We are considering whether the service needs and can support a part-time temporary position to help further develop the trainee.

**HORIZON HOUSING ASSOCIATION LIMITED**

**REPORT OF THE BOARD OF MANAGEMENT**

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**Home Ownership**

The Association did not complete any shared ownership staircasing sales in the year (2013 – nil). Horizon extends choice of home ownership to disabled people through the Access Ownership scheme, for which it made £300,000 available in 2013/14 to invest in tailored shared ownership solutions for disabled people and their families. Horizon's partnership with Housing Options Scotland continues to provide benefits, increasing access to independent housing information, advice and solutions for disabled people. Horizon has been one of a number of agencies contributing to and sponsoring Glasgow Centre for Inclusive Living's production and distribution of Access posters, offering design guidance for accessibility in the public realm as well as housing.

**BY ORDER OF THE BOARD OF MANAGEMENT**



**J FITZPATRICK**

**Secretary**

Registered Office:

Leving House,  
Fairbairn Place,  
Livingston, EH54 6TN

Date: 3 July 2014

**HORIZON HOUSING ASSOCIATION LIMITED**

**STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE REPORT OF THE BOARD OF MANAGEMENT AND THE FINANCIAL STATEMENTS**

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The Board of Management (who are also the charity's trustees) is responsible for preparing the Report of the Board of Management and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board of Management to prepare financial statements for each financial year. Under those regulations the Board of Management have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

In preparing these financial statements, the Board of Management is required to:

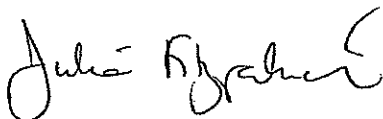
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained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

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements 2012, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The Board of Management has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

**Appointment of Auditor**

The Board recommends to members, the appointment of KPMG LLP as Auditor.

**BY ORDER OF THE BOARD OF MANAGEMENT**



**J FITZPATRICK**  
Secretary  
Registered Office:  
Leving House,  
Fairbairn Place,  
Livingston, EH54 6TN

Date: 3 July 2014

**HORIZON HOUSING ASSOCIATION LIMITED**

**BOARD OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS**

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The Board of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

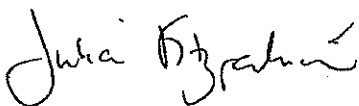
- the reliability of financial information used within the Association or for publication;
- the proper authorisation and recording of transactions;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Board of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures from the Board of Management members.
- the Board of Management review reports from the Managing Director, staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a regular review of the major risks facing the Association.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board of Management have continued to review the system of internal financial control in the Association during the year ended 31 March 2014. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements, or in the auditors' report on the financial statements.

**BY ORDER OF THE BOARD OF MANAGEMENT**



**J FITZPATRICK**  
Secretary  
Registered Office:  
Leving House,  
Fairbairn Place,  
Livingston, EH54 6TN

Date: 3 July 2014

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORIZON HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Horizon Housing Association Limited for the year ended 31 March 2014 set out on pages 13 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with section 69 of the Housing (Scotland) Act 2010 and section 9 of the Friendly and Industrial and Provident Societies Act 1968 and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Board of Management and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 11, the Association's Board of Management is responsible for the preparation of financial statements which 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/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Association as at 31 March 2014 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements 2012, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the Report of the Board of Management is inconsistent in any material respect with the financial statements; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

  
David Watt

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Saltire Court

Castle Terrace

Edinburgh

EH1 2EG

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

16 July 2014

HORIZON HOUSING ASSOCIATION LIMITED

INCOME and EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014		2013	
		£	£	£	£
Turnover	2		3,921,787		3,772,912
Less: Operating costs	2		<u>(3,419,095)</u>		<u>(2,882,176)</u>
<b>Operating surplus</b>			502,692		890,736
Interest receivable		1,612		1,578	
Interest payable		<u>(391,876)</u>		<u>(417,602)</u>	
			<u>(390,264)</u>		<u>(416,024)</u>
<b>Surplus on ordinary activities before taxation</b>			112,428		474,712
Taxation	4		<u>-</u>		<u>-</u>
<b>Surplus for the year</b>			<u>112,428</u>		<u>474,712</u>

A statement of recognised gains and losses is not shown as all gains and losses are recognised in the Income and Expenditure Account. The notes on pages 16 to 29 form part of these accounts.

All results relate wholly to continuing activities.

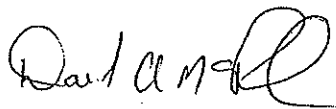
HORIZON HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31 MARCH 2014

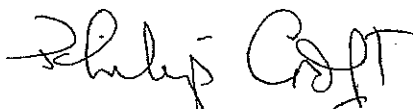
	Notes	2014		2013	
		£	£	£	£
<b>Tangible fixed assets</b>					
Housing properties - gross cost less depreciation	5		58,151,616		58,016,850
Less: HAG and other grants	5		<u>(45,082,451)</u>		<u>(45,122,988)</u>
			13,069,165		12,893,862
Other fixed assets	5		<u>432,041</u>		<u>447,103</u>
			13,501,206		13,340,965
<b>Current assets</b>					
Stock		7,935		5,677	
Debtors	6	266,551		266,934	
Cash at bank and in hand		<u>1,539,625</u>		<u>2,123,226</u>	
		1,814,111		2,395,837	
Creditors: Amounts falling due within one year	7	(905,610)		(1,499,558)	
Provisions for liabilities	8	<u>(429,000)</u>		<u>-</u>	
		(1,334,610)		(1,499,558)	
<b>Net current assets</b>			<u>479,501</u>		<u>896,279</u>
<b>Total assets less current liabilities</b>			13,980,707		14,237,244
Creditors: Amounts falling due after more than one year	9		<u>(11,900,204)</u>		<u>(12,269,168)</u>
<b>Net assets</b>			<u>2,080,503</u>		<u>1,968,076</u>
<b>Capital and Reserves</b>					
Share capital	11		73		74
Designated reserves	17		650,022		564,134
Revenue reserves	16		<u>1,430,408</u>		<u>1,403,868</u>
			<u>2,080,503</u>		<u>1,968,076</u>

Approved and authorised for issue by the Board of Management on 3 July 2014 and signed on its behalf by:

D McPhail, Chairperson



P Croft, Board Member



J Fitzpatrick, Secretary



The notes on pages 16 to 29 form an integral part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014		2013	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	<b>18</b>		<b>951,997</b>		<b>1,918,404</b>
<b>Return on investment and servicing of finance</b>					
Interest received		1,612		1,578	
Interest paid		<u>(391,876)</u>		<u>(417,602)</u>	
			<b>(390,264)</b>		<b>(416,024)</b>
<b>Capital expenditure</b>					
Payments to acquire housing stock		(750,420)		(987,791)	
Payments to acquire other fixed assets		(17,857)		(1,688)	
HAG & other capital grants received		19,477		308,238	
Repayment of Capital Grants		<u>(52,521)</u>		<u>-</u>	
			<b>(801,321)</b>		<b>(681,241)</b>
			<b>(239,588)</b>		<b>821,139</b>
<b>Financing</b>					
Mortgage repayments		(344,013)		(391,551)	
Cash movement in share capital		<u>-</u>		<u>15</u>	
			<b>(344,013)</b>		<b>(391,536)</b>
<b>(Decrease)/Increase in cash</b>			<b><u>(583,601)</u></b>		<b><u>429,603</u></b>



# HORIZON HOUSING ASSOCIATION LIMITED

## NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

These financial statements are prepared in accordance with applicable accounting standards and statements of recommended practice, and comply with the requirements of the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers 2010.

### 1. Accounting Policies

The principal accounting policies of the Association are set out in paragraphs (b) to (q) below.

#### (a) Basis of Accounting and going concern

The financial statements are prepared under the historical cost convention and on a going concern basis. The Board of Management anticipate that a surplus will be generated in the year to 31 March 2015. The Association has a healthy cash and net current asset position and thus the Board of Management are satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Board of Management continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### (b) Turnover

Turnover is recognised in the year to which it relates. Turnover, which is stated net of value added tax, represents income receivable from lettings and property management, revenue grants, contract income for care and repairs services and other income.

#### (c) Finance

The accounts have been prepared on the basis that the capital expenditure referred to in Note 5 will be grant aided, funded by loan or met out of reserves.

#### (d) Mortgages

Mortgage loans are advanced by the Scottish Government or private lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Housing Association Grant.

#### (e) Housing Association Grants

Housing Association Grants (HAG) are utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by the grant awarding body. HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

#### (f) Housing Association Grant - Notional acquisition and development allowances receivable

Notional acquisition and development allowances are advanced as HAG. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Notional development allowances become available in instalments according to the progress of work on the scheme. Development costs are added to housing properties and the related development allowances received are shown as HAG.

#### (g) Depreciation

##### Housing properties

Properties are stated at historical cost, less social housing and other public grants and less accumulated depreciation. Each property has been split between its major component parts which are depreciated on a straight line basis over their expected economic useful life. The following major components and useful lives have been identified by the Association:

Land - not depreciated	Windows – over 30 years	Pipework – over 24 years
Structure – over 60 years	Doors – over 30 years	Kitchen – over 15 years
Rewiring – over 40 year	Bathrooms – over 25 years	Boilers – over 12 years

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

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1. Accounting Policies (continued)

(g) Depreciation (continued)

Heritable office property

Depreciation is provided at a rate calculated to write off the cost of the offices evenly over their expected useful life of 60 years.

Furniture and equipment

Depreciation is provided at a rate calculated to write off the cost of furniture and equipment, after deducting related HAG, evenly over its expected useful life of 8 years. Telephone equipment depreciation is calculated over its expected useful life of 5 years. Computer equipment depreciation is provided at a rate calculated to write off the cost of the computer equipment evenly over its expected useful life of 3 years.

Motor vehicles

Depreciation is provided at a rate calculated to write off the cost of the motor vehicles evenly over their expected useful life of 4 years.

(h) Impairment of fixed assets

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the income and expenditure account.

(i) Designated reserve for future cyclical repairs and maintenance (note 17)

Accrued cyclical maintenance, being the Association's commitment to maintain its properties in accordance with a planned programme of works, is set aside in a designated reserve, to the extent that it is projected it will not be met from revenue in the year in which it is incurred.

(j) Designated reserve for major repairs (note 17)

Accrued major repair expenditure, being the Association's commitment to undertake major repairs to its properties, was previously set aside in a designated reserve to the extent that it will not be met from HAG. Following the introduction of component accounting as required by the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers 2010, this reserve is no longer required and has been transferred to the revenue reserve.

(k) Designated reserve for service replacement (note 17)

An element of the service charge income of the Association is received to fund the future replacement of service items at the end of their useful life. The equivalent of this income is transferred to the reserve, and released to the income and expenditure account when the expenditure is incurred.

(l) Shared Ownership transactions

First tranche sales of shared ownership properties are treated as sales of current assets, with proceeds being credited to turnover and costs to cost of sales in the Income and Expenditure Account. Sales taking place after the initial purchase are accounted for as a disposal of fixed assets.

(m) Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the income and expenditure on a straight line basis over the lease term.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

1. Accounting Policies (continued)

(n) Pensions

The company makes contributions into a defined contribution pension scheme. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives with the company.

(o) Capitalisation of interest

Interest on amounts borrowed to finance a development to the extent that it accrues in respect of the period of development has been capitalised.

(p) Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

(q) Value added tax

The Association is VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

(r) Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income, or
- a material reduction in future maintenance costs, or
- a significant extension to the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

(s) Provisions

The Association recognises provisions when: there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resource will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2. Particulars of turnover, operating costs and operating surplus/(deficit)

	Turnover £	Operating Costs £	2014 Operating Surplus/ (deficit) £	2013 Operating Surplus/ (deficit) £
Income and expenditure from social lettings (note 3a)	3,390,239	2,443,797	946,442	973,086
Income and expenditure from other activities (note 3b)	531,548	975,298	(443,750)	(82,350)
2014 Total	<u>3,921,787</u>	<u>3,419,095</u>	<u>502,692</u>	<u>890,736</u>
2013 Total	<u>3,772,912</u>	<u>2,882,176</u>	<u>890,736</u>	

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

3a. Particulars of turnover, operating costs and operating surplus from social letting activities

	Housing Accommodation £	Shared Ownership £	Special Needs Accommodation £	Total 2014 £	Total 2013 £
<b>Income from social lettings</b>					
Rent receivable	3,040,417	54,244	64,032	3,158,693	3,017,705
Service Charges Receivable	212,575	20,956	-	233,531	221,404
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross income from rents and service charges	3,252,992	75,200	64,032	3,392,224	3,239,109
Less: Voids	(14,960)	-	-	(14,960)	(8,406)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net income from rents and service charges</b>	3,238,032	75,200	64,032	3,377,264	3,230,703
Grants from Scottish Ministers	-	-	-	-	-
Other Revenue grants	12,975	-	-	12,975	6,347
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total turnover from social letting activities</b>	3,251,007	75,200	64,032	3,390,239	3,237,050
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditure on social letting activities</b>					
Management and maintenance administration costs	899,374	3,834	20,799	924,007	845,197
Service costs	203,056	7,196	-	210,252	212,438
Planned and cyclical maintenance including major repair costs	99,870	-	19,017	118,887	84,310
Reactive Maintenance costs	515,801	1,443	11,832	529,076	466,036
Bad Debts – Rents and Services	36,254	-	-	36,254	43,505
	10,857	-	-	10,857	27,525
Bad Debts - Repairs					
Depreciation of social housing	526,471	10,262	2,967	539,700	522,161
Loss on Disposal of components	74,764	-	-	74,764	62,792
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Operating costs for social letting activities</b>	2,366,447	22,735	54,615	2,443,797	2,263,964
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>2014 Operating surplus on social letting activities</b>	<u>884,560</u>	<u>52,465</u>	<u>9,417</u>	<u>946,442</u>	<u>973,086</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>2013 Operating surplus on social letting activities</b>	<u>900,837</u>	<u>35,082</u>	<u>37,167</u>	<u>973,086</u>	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2013 - £nil).

The cost of property components capitalised in the year was £522,713 (2013 - £379,281).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

3b. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Operating costs £	Operating surplus/(deficit) 2014 £	Operating surplus/(deficit) 2013 £
Care and repair	-	174,363	-	236,192	410,555	381,728	28,827	(1,855)
Factoring	-	-	-	5,496	5,496	4,863	633	3,024
Agency services for registered social landlords	-	-	-	3,461	3,461	3,461	-	-
Stage 3 Adaptations	94,969	-	-	-	94,969	97,345	(2,376)	(2,906)
Development	-	-	-	-	-	-	-	(11,950)
Other activities - new initiatives	-	-	-	-	-	49,288	(49,288)	(75,825)
Provision for liabilities	-	-	-	-	-	429,000	(429,000)	-
Other activities	-	-	-	17,067	17,067	9,613	7,454	7,162
<b>2014 Total from other activities</b>	<b>94,969</b>	<b>174,363</b>	<b>-</b>	<b>262,216</b>	<b>531,548</b>	<b>975,298</b>	<b>(443,750)</b>	<b>(82,350)</b>
<b>2013 Total from other activities</b>	<b>129,370</b>	<b>180,452</b>	<b>-</b>	<b>226,040</b>	<b>535,862</b>	<b>618,212</b>	<b>(82,350)</b>	<b>-</b>

The Association did not receive any income or incur any expenditure in respect of the Wider Role, Support and Care activities. (2013-Nil)

4. Taxation

The Association has been granted charitable status by HMRC and is not subject to corporation tax on its exempt activities.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

5. Tangible fixed assets	Housing Properties held for Letting £	Completed Shared Ownership Housing Property £	Housing properties Total £	Heritable office property £	Furniture and equipment £	Motor vehicles £	Other Fixed Assets Total £	2014 Grand Total £	2013 Grand Total £
<b>Cost</b>									
As at 1 April 2013	60,761,437	1,334,688	62,096,125	505,707	143,888	85,042	734,637	62,830,762	62,065,551
Additions during year	615,367	133,863	749,230	-	17,857	-	17,857	767,087	940,521
Disposals	(232,524)	-	(232,524)	-	(44,785)	-	(44,785)	(277,309)	(175,310)
At 31 March 2014	61,144,280	1,468,551	62,612,831	505,707	116,960	85,042	707,709	63,320,540	62,830,762
<b>Depreciation</b>									
At 1 April 2013	4,034,363	44,912	4,079,275	86,819	135,037	63,781	285,637	4,364,912	3,922,335
Provided during year	527,438	10,262	537,700	6,678	4,980	21,261	32,919	570,619	554,782
Disposals/Revaluation during year	(155,760)	-	(155,760)	-	(44,785)	-	(44,785)	(200,545)	(112,205)
At 31 March 2014	4,406,041	55,174	4,461,215	93,497	95,232	85,042	273,771	4,734,986	4,364,912
<b>Housing Association Grant</b>									
At 1 April 2013	44,311,054	811,934	45,122,988	-	1,897	-	1,897	45,124,885	44,971,801
Additions	11,984	-	11,984	-	-	-	-	11,984	153,084
Disposals	(52,521)	-	(52,521)	-	-	-	-	(52,521)	-
At 31 March 2014	44,270,517	811,934	45,082,451	-	1,897	-	1,897	45,084,348	45,124,885
<b>Net book value</b>									
As at 31 March 2014	12,467,722	601,443	13,069,165	412,210	19,831	-	432,041	13,501,206	13,340,965
As at 31 March 2013	12,416,020	477,842	12,893,862	418,888	6,954	21,261	447,103	13,340,965	

Development administration costs capitalised amounted to £nil (2013 - £nil) for which Housing Association Grants amounting to £nil (2013 - £nil) were received in the year. Housing Association Grants above includes grants of £11,984 from other sources in the year (2013-£nil). Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2013- £nil).

**HORIZON HOUSING ASSOCIATION LIMITED**

**NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

6. Debtors	2014	2013
	£	£
Rent arrears	174,434	155,116
Less: Provision for Bad Debts	<u>(65,748)</u>	<u>(69,998)</u>
Net Rent Arrears	108,686	85,118
Grants and mortgage advances receivable	96,280	82,917
Sundry debtors and prepayments	36,395	33,146
Amounts due from Parent	<u>25,190</u>	<u>65,753</u>
	<u>266,551</u>	<u>266,934</u>

7. Creditors: amounts falling due within one year	2014	2013
	£	£
Rents in advance	108,446	93,122
Capital creditors	141,684	142,874
Sundry creditors and accruals	207,889	173,484
Amount due to Parent	68,057	741,589
Amount due to Group companies	12,719	6,625
Service equalisation account	3,168	3,168
Current instalments due on loans	<u>363,647</u>	<u>338,696</u>
	<u>905,610</u>	<u>1,499,558</u>

8. Provisions for liabilities: amounts falling due within one year	2014	2013
	£	£
Balance at 1 April 2013	-	-
Charge to the income and expenditure account for the year	<u>429,000</u>	<u>-</u>
Balance at 31 March 2014	<u>429,000</u>	<u>-</u>

A claim for damages plus interest and costs, has been made against the association by a local authority in respect of an alleged breach of contract in relation to provision of development services.

The Association has taken advice from independent expert advisers. Given the relative infancy of legal proceedings and the litigation risks, a provision of £429,000 has been made. Horizon is however strongly defending the action and appropriate risk assessments have been carried out to mitigate against any material financial or operational impact on the Association.

9. Creditors: amounts falling due after more than one year		
Housing loans	<u>11,900,204</u>	<u>12,269,168</u>

The current instalments due on the above loans are included in note 7 above.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

10.	<b>Loans</b>	<b>2014</b>	<b>2013</b>
		£	£
	Loans secured by a charge on some of the Association's housing land and buildings		
	i) Loans other than instalment loans, which fall to be repaid after 31 March 2017 (2013 - 31 March 2016)		
	Loans advanced by the Scottish Government	2	2
	These loans fall to be repaid in March 2042 and November 2049. No interest is payable.		
	ii) Loans repayable by instalments where the last instalment falls to be repaid after 31 March 2017 (2013- 31 March 2016)		
	Loans advanced by Private Lenders	12,263,849	12,607,862
	The loans are repayable by instalments of principal and interest, and fall to be repaid within 30 years. The loans bear interest at rates between 0.5% and 5.68% (2013 – 0.5%% and 5.95%%)		
		12,263,851	12,607,864
	<b>Analysis of Maturity of Debt</b>		
	<b>Amounts Repayable:</b>	<b>2014</b>	<b>2013</b>
		£	£
	Due within one year:	363,647	338,696
	Due within 2-5 years	1,530,753	1,550,106
	Due after 5 years	10,369,451	10,719,062
		12,263,851	12,607,864
11.	<b>Share capital</b>	<b>2014</b>	<b>2013</b>
		£	£
	Shares of £1 each issued and fully paid		
	At 1 April 2013	74	65
	Issued during the year	-	15
	Disposed during the year	(1)	(6)
	At 31 March 2014	73	74

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.



HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

12. Capital Commitments

Amounts contracted for but not provided in the accounts amounted to £nil (2013 - £nil).

13. Employees	2014 £	2013 £
Staff costs during year:		
Wages and salaries	913,380	869,094
Social security costs	86,422	68,954
Other pension costs	155,668	144,018
	<u>1,155,470</u>	<u>1,082,066</u>

	FTE	FTE
Average Full Time Equivalent number of employees of the Association including staff on an agency basis during the year was	<u>32</u>	<u>30</u>

The Directors are defined as the members of the Board of Management, the Managing Director and any other person reporting directly to the Managing Director or the Board of Management whose total emoluments exceed £60,000 per year.

	£	£
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	<u>61,161</u>	<u>58,604</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>54,549</u>	<u>52,756</u>

No member of the Board of Management received any emoluments in respect of their services to the Association. One staff member (2013 - one) is included in the first total, with paid emoluments excluding pension contributions of over £60,000.

The Directors, excluding members of the Board of Management, are ordinary members of the Association's pension scheme described below. No enhanced or special terms apply to their memberships and they have no other pension arrangements to which the Association contributes. The Association's contributions for the Managing Director in the year amounted to £6,612 (2013 - £5,602).

	£	£
Total expenses reimbursed insofar as not chargeable to UK Income Tax		
Full time Directors	<u>716</u>	<u>1,370</u>
Board of Management	<u>2,147</u>	<u>1,974</u>

## HORIZON HOUSING ASSOCIATION LIMITED

### NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

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#### 14. Pensions

Horizon Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and the Defined Benefit options are contracted-out of the State Pension Scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, (plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employers' debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-cut market. The amounts of debt can therefore be volatile over time.

Horizon Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for Horizon Housing Association Limited was £3,901,948.

## HORIZON HOUSING ASSOCIATION LIMITED

### NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

#### 14. Pensions (continued)

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted in
- Defined Contribution (DC) option

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Horizon Housing Association Limited elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2013 until 31 August 2013 and the Career Average Revalued Earnings (CARE) with a 1/120th accrual rate benefit structure for new entrants from 1 April 2013 until 31 August 2013.

Following a period of consultation with staff, the Association ceased to offer the Defined Benefit final salary 1/60ths or CARE 1/120th schemes and offer all staff membership to the SHAPS Defined Contribution scheme, with effect from September 2013.

During the accounting period Horizon Housing Association Limited paid contributions at the rate of 9.6% of pensionable salaries for members of the final salary scheme and 4.7% for members of the CARE scheme. Member contributions were 9.6% for the final salary scheme and 4.7% for the CARE scheme. In addition Horizon Housing Association paid contributions to past service deficits of 10.6% of pensionable salary roll as at September 2009, index linked by 4.5% per year.

As at the balance sheet date, there were 22 active members (2013: 18) of the DC Scheme employed by Horizon Housing Association Limited.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2012 Valuation Assumptions	% p.a.
Investment return pre retirement	5.3
Investment return post retirement – non pensioners	3.4
Investment return post retirement – pensioners	3.4
Rate of salary increases	4.1
<b>Rate of pension increases</b>	
Pension accrued pre 6 April 2005 in excess of GMP	2.0
Pension accrued post 5 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

#### Mortality Tables

Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

14. Pensions (continued)

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6%
Career average revalued earnings 1/60ths	22.4%
Career average revalued earnings 1/70ths	19.2%
Career average revalued earnings 1/80ths	16.9%
Career average revalued earnings 1/120ths	11.4%
Career average revalued earnings 1/120ths	11.4%
Defined contribution	6%, 9% or 12%

Additional deficit contributions are payable from 1 April 2014 and will increasing by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

15. Auditor's Remuneration	2014	2013
	£	£
Audit of these financial statements	5,150	8,259

16. Revenue reserves

	2014	2013
	£	£
Balance at 1 April 2013	1,403,868	961,262
Surplus for the year	112,428	474,712
Net transfer to designated reserves	(85,888)	(32,106)
Balance at 31 March 2014	1,430,408	1,403,868

17. Designated reserves

	Cyclical Maintenance Reserve £	Service Replacement Reserve £	Total Designated Reserve £
Balance at 1 April 2013	247,433	316,701	564,134
Transfer from revenue reserve 2014	58,599	27,289	85,888
Balance at 31 March 2014	306,032	343,990	650,022

18. Reconciliation of operating surplus to net cash inflow from operating activities

	2014	2013
	£	£
Operating Surplus	502,692	890,736
Depreciation	572,619	555,095
Loss on disposal of components	74,764	62,792
Provision for liabilities	429,000	-
(Increase) in debtors	(7,111)	(50,286)
(Decrease)/Increase in creditors	(617,709)	460,007
(Increase)/Decrease in stock and work in progress	(2,258)	60
Net cash inflow from operating activities	951,997	1,918,404

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

19. Reconciliation of net cash inflow/(outflow) to movement in debt	2014	2013
	£	£
(Decrease)/Increase in cash in year	(583,601)	429,603
Loan repaid	344,013	391,551
Cash received from new loans	-	-
Change in net debt	(239,588)	821,154
Net debt at 1 April 2013	(10,484,638)	(11,305,792)
Net debt at 31 March 2014	<u>(10,724,226)</u>	<u>(10,484,638)</u>

20. Analysis of changes in financing during the year

	As at 1 April 2013 £	Cashflows £	At 31 March 2014 £
Cash at bank and in hand	2,123,226	(583,601)	1,539,625
Debt due within one year	(338,696)	(24,951)	(363,647)
Debt due outwith one year	(12,269,168)	368,964	(11,900,204)
	<u>(10,484,638)</u>	<u>(239,588)</u>	<u>(10,724,226)</u>

21. Housing Units

	2014		2013	
	Newbuild	Rehab	Newbuild	Rehab
General Needs	794	2	793	2
Shared Ownership	24	6	27	1
Supported units in Residential Accommodation	1	-	1	-
Total	<u>819</u>	<u>8</u>	<u>821</u>	<u>3</u>

Supported units in residential accommodation relates to a care home and was previously expressed as 25 bedspaces, but is now represented as a single unit.

In addition, Horizon manages 7 units on behalf of Link Housing Association (2013 – 7).

**HORIZON HOUSING ASSOCIATION LIMITED**

**NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)**

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**22. Contingent Liabilities**

**Pensions**

Horizon Housing Association Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for Horizon Housing Association Limited was £3,901,948.

Following a period of consultation with staff, the Association ceased to offer the Defined Benefit final salary 1/60ths scheme, with effect from September 2013, and offer all staff membership to the SHAPS Defined Contribution scheme.

**23. Related Parties**

As a wholly owned subsidiary of Link Group Limited the Association is exempt from the requirements of FRS 8 to disclose details of transactions with other members of the group headed by Link Group Limited.

**24. Ultimate Parent Organisation**

The company's parent undertaking at the balance sheet date was Link Group Limited, a charitable Industrial and Provident Society registered with the Financial Conduct Authority, registration no 1481(R) S. Link Group Limited exercises dominant control through its ability to control the majority of the membership of the Board.