



HORIZON HOUSING ASSOCIATION LIMITED

REPORT AND ACCOUNTS

For The Year Ended 31 March 2015

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 2015

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Registration Particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 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

Board of Management

Ms F R Wood (Chairperson, elected 19 February 2015)
Mr D A McPhail (Chairperson until 19 February 2015)
Mr R B Hartness (Vice Chairperson, elected 19 February 2015)
Mr P Croft O.B.E. (resigned 23 September 2014)
Mr C Baird
Mr G Carson
Mr S Dow (appointed 19 March 2015)
Mr R McDougal (appointed 19 March 2015)
Ms J Pritchard
Mr T S Rae
Mr W Taylor (appointed 3 July 2014)
Ms D Theakstone

Executive Officers

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

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

The Board has pleasure in presenting its report for the year ended 31 March 2015.

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 Community Benefit Society, 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.

Our Vision, Mission and Strategic Objectives

The Board reaffirmed Horizon's vision, mission and strategic objectives at a strategy day in November 2014. Our 8 strategic objectives are set out below, and support the four overarching Link Group aims.

Horizon's vision is to see inclusive, sustainable communities where everyone has a home that meets their needs and which are designed so that 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.

The values of inclusion underpin and shape Horizon's work and decision making. We believe that disabled people have the right to be included: to live in accessible housing with the services and support to enable independent living; to contribute as citizens and to be part of their community.

What we do, and how we do it, is driven by the broader statement of the values of Link group.

We share the Link values :

- Responsibility - We all take responsibility for our actions
- Empathy - We work hard to understand how people feel as individuals and treat them with dignity
- Social Impact - We strive to ensure there is a positive social impact from our activities and work with others who share our aims
- Participate - We are proactive in providing opportunities for people to engage with us and help us improve our services
- Equality - We are all equal and different and we aim to provide inclusive environments for work and for living
- Challenge - We challenge ourselves and others towards excellence and innovation in all we do
- Transparency - We wish to be open and honest about what we do and how we do it

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.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

Our Vision, Mission and Strategic Objectives (continued)

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.

OPERATING AND FINANCIAL REVIEW

Financial Performance

Horizon Housing Association Limited ("Horizon" or the "Association") achieved a surplus for the year of £401,951 (2014 - £112,428).

Turnover increased by approximately 2.1% to £4.0M (2014 - £3.9M) and Operating Costs decreased by 5.9% to £3.2M (2014 - £3.4M). The income from Social Letting Activities increased by 3.2% and this principally reflects rent increases applied in April 2014. The Turnover from Other Activities reduced by 4.7% in total particularly reflecting the reduced income from Care and Repair Services and Stage 3 Adaptations, offset by additional income for agency services.

Horizon's surplus for the year increased by £289,523 compared with 2014, reflecting the fact that in 2014, a provision for £429,000 was made in respect of a claim for damages, which is a cost that did not re-occur in 2015.

The results for 2015 were in line with the Board's expectations and within Horizon's budget and business plan for 2014/15 and beyond.

Properties in Management

The number of properties managed by Horizon was 865 at 31 March 2015. This includes 11 units for shared accommodation for people with support needs; 31 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. During the year, the Association acquired 1 property under the Access Ownership scheme in Shotts, Lanarkshire.

Houses under Construction

At 31 March 2015, the Association had no properties under construction.

Operating Performance

1. 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 and arrears.

In 2014/15 our target for rent arrears for current tenants was set at a challenging 4.3% from a starting position of 4.76%. Arrears reduced to 4.49% at the end of the year (2014 - 4.76%) with a slow downward trend shown over the year. Staff

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

1. Housing Services (continued)

continue to focus on arrears management and over the past year, the processes from allocation to sign-up of a tenant has been examined and improvements made to prevent arrears.

In 2014/15 there were a total of 50 void houses (2014 – 67), which resulted in an income loss of £13,871 (2014 - £14,960), representing a loss of 0.4% (2014 – 0.4%) against a target of 0.3%. This is also reflected in the average time to re-let properties which also rose to 21 days (2014 – 16 days) against a target of 18 days.

2. Property Maintenance

The Association's performance on reactive repairs was generally better than target levels. For emergency repairs 97.6% were carried out within the target timescale of 100% attendance within 7 hours (2014 - 96.8%). For urgent repairs, 96.2% (2014 - 95.5%) of jobs were completed within the 3 day timescale against a target of 95%; and for routine repairs 95.43% (2014 - 95.9%) were achieved within 15 days against a target of 95%.

In March 2014 Link Property was engaged under a Service Level Agreement to provide a pilot project for a reactive repairs service in a number of discrete areas. The aim of the pilot was threefold: to control Horizon's reactive maintenance costs; to maintain and improve customer satisfaction; and to build on Horizon's position as part of the Link Group. After a successful start, the contract was extended to the summer of 2015 at which time a review will be carried out to evaluate the pilot in terms of performance, tenant satisfaction levels and value for money in comparison with external contractors. Horizon's In House Team continued to carry out the majority of Horizon's cyclical maintenance programme, including external painterwork during the year.

In 2014/15 £0.56M (2014 - £0.6M) was invested in the planned maintenance and improvement of our existing properties, including, replacing and upgrading kitchens, bathrooms, doors, windows and consumer units. These improvements added to the warmth and amenity of over 202 properties. In addition, a major refurbishment and upgrading project was undertaken at Wallace Court, a care home in Elderslie, Renfrewshire at a cost of £0.37M. The refurbishment, which was scoped and specified in consultation with Capability Scotland who operate the care home, will significantly improve the environment for the residents and extend the life of the property.

As part of Horizon's commitment to Link Group's employability strategy, five young people were given employment experience through Community Jobs Fund traineeships and Modern Apprenticeships during 2014/15.

3. Tenant Involvement

During the year, Horizon consulted with tenants on the review of the Tenant Participation Policy and Strategy, supported by the Tenant Participation Advisory Service (TPAS), with a reviewed policy and strategy approved by the Board in February 2015. Horizon also carried out consultation on its repairs policy and organised through the Tenants Information Service (TIS) a series of forums in different areas of the country to get suggestions on what should be in the policy, particularly in relation to repair classifications and timescales. The programme of annual estate surveys and visits attended by tenants continued.

Our Housing Support service also encouraged their clients to attend a money advice event at Link in Clydebank, and worked with Link's Digital Inclusion team to organise training for tenants on using information technology.

There are currently two tenant members on our Board. Three places on Horizon's Board are reserved for tenant members.

4. New Homes

During 2014/15 a total of £0.09m (2014 - £0.2m) was spent, with no grant funding received from the Scottish Government (2014 - £nil). This expenditure related to 1 property purchased at Shotts, Lanarkshire with no grant funding, through the Access Ownership scheme, at a cost of £0.09m.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

5. Adaptations

A total of £74k (2014 - £97K) was spent on our Stage 3 adaptation programme, with 56 households (2014 – 60) assisted through this service, of which £66k was funded by HAG (2014 - £95k) and the remainder by Horizon.

6. 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. Both services successfully achieved Care and Repair Scotland's Quality Mark accreditation in 2014. Customer satisfaction levels for both Care and Repair services are high.

The service in West Lothian provided adaptations for 227 owners and private tenants (2014 – 175) and a key safe fitting and removal service for 521 home owners (2014 – 575). In addition a valued small repairs service assisted 661 (2014 – 526) older people across tenures to remain safely in their homes.

The Care and Repair Service also co-ordinates the adaptations service for Horizon's tenants, which was provided to 56 (2014 – 60) tenants during the year, with 86% (2014 - 84%) of major adaptations completed within 12 weeks of referral against a target of 100%.

Horizon also provides the Care and Repair service in North Lanarkshire. From a new base in Cumbernauld, this service has carried out over 12,000 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 engaged under the terms of a Service Level Agreement 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 have grown from 2 to 33 over the course of the contract.

In the third year of service delivery, the service carried out 3,245 (2014 – 3,291) small repairs and handyperson tasks against a target of 3,144 and achieved target completion times for 85% (2014 – 75%) of small repairs and 91% (2014 – 90%) of handyperson tasks against a target of 95% for both.

Link Group successfully retendered for this service in 2014/15 and was awarded a new contract for 3 years from 1 April 2015, with an option for a two year extension.

Future Developments

Link and Horizon aim to increase the numbers of homes suitable for wheelchair users provided by the Link Group. Link has an impressive development programme for the next three years, of which 6.5% is housing for wheelchair users. This is less than our joint target of 10% of social rented properties and 5% of alternative tenures, although it is significantly more than Link was providing before Horizon joined the Group. Over the next year we will work with Link to develop a more sophisticated analysis of the barriers to increasing supply, and also engage with others in influencing work Scottish Government as it develops its Joint Housing Delivery Plan.

Horizon continues to work 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. Plans for a new development in Stoneyburn, West Lothian are progressing for 12 properties for disabled and older people. The West Lothian Development Alliance has also submitted an indicative programme for the Strategic Housing Investment Plan (SHIP) showing two further potential developments for Horizon, to complete in 2018/19 – 46 properties over the sites in Armadale and Whitburn.

In December 2014, Link Group was awarded the Scottish Government contract to develop and provide its Help to Adapt pilot scheme. Horizon has been closely associated with mobilising to deliver the scheme and will be similarly involved in its management and development over the next two years. In 2015/16 we will work closely within Link group to support the further development of the group-wide older person's strategy and services; and also add to Horizon's personnel resources to develop and take opportunities consistent with this strategy.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

Future Developments (continued)

With Link Group financial support, we plan to extend the Access Ownership programme to support acquisitions for low cost ownership, focused on achieving its objectives of increased supply for disabled people. The financial model for this project lends itself to expansion, and to the scope of the programme being widened to include a broader range of tenures. Access to affordable loan finance or to other forms of investment is required in order for the programme to develop. We plan in 2015/16 to carry out an external evaluation of the impacts to date of this innovative programme as a base for exploring the financial, legal and regulatory conditions for growth.

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.

Following a recruitment process, 3 new Board members were appointed during the year, bringing new skills, perspective and expertise to the Board, and 1 Board member resigned.

Corporate Structure

Horizon is a subsidiary of Link Group Limited (the "Group"), 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.

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. As at 31 March 2015, £7.5 million (62%) of borrowings with external funders were subject to fixed interest rates.

Budgetary Process

Each year the Board approves the annual budget, the 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.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

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.

Risk Management

The Board 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.

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 that 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. A Health & Safety improvement plan was completed during the year to improve processes and supporting documentation, led by a new Health & Safety Group.

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.

HORIZON HOUSING ASSOCIATION LIMITED

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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 39 staff of which 2 consider themselves to be disabled.

Home Ownership

The Association did not complete any shared ownership staircasing sales in the year (2014 – nil). Horizon extends choice of home ownership to disabled people through the Access Ownership scheme, for which it made £300,000 available in 2014/15 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.

Auditor

In accordance with section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Provision of information to the auditor

The Members of the Board of Management who held office at the date of approval of this report of the Board of Management confirm that, so far as they each are aware, there is no relevant audit information of which the Association's auditor is unaware; and each trustee has taken all the steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

BY ORDER OF THE BOARD OF MANAGEMENT



F R Wood
Chairperson

Date: 11 August 2015

Registered Office:
Leving House,
Fairbairn Place,
Livingston, EH54 6TN

HORIZON HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS

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 2015. 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



F R Wood
Chairperson

Date: 11 August 2015

Registered Office:
Leving House,
Fairbairn Place,
Livingston, EH54 6TN

HORIZON HOUSING ASSOCIATION LIMITED

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

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.

Co-operative and Community Benefit 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 Co-operative and Community Benefit Societies Act 2014, 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.

BY ORDER OF THE BOARD OF MANAGEMENT



F R Wood
Chairperson

Date: 11 August 2015

Registered Office:
Leving House,
Fairbairn Place,
Livingston, EH54 6TN

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

We have audited the financial statements of Horizon Housing Association Limited ("the Association") for the year ended 31 March 2015 set out on pages 13 to 30. 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, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010 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 Society those matters we are required to state to it 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 Society 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.

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 2015 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with 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:

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 10:

- does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.



Andrew Shaw
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

21 August 2015

HORIZON HOUSING ASSOCIATION LIMITED

INCOME and EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015	2014
		£	£
Turnover	2	4,004,868	3,921,787
<u>Less: Operating costs</u>	2	<u>(3,217,987)</u>	<u>(3,419,095)</u>
Operating surplus		786,881	502,692
Interest receivable		1,972	1,612
Interest payable		(358,550)	(391,876)
Loss on Disposal of Properties		<u>(28,353)</u>	<u>-</u>
Surplus on ordinary activities before taxation		401,950	112,428
Taxation		-	-
Surplus for the year		<u>401,950</u>	<u>112,428</u>

All results relate wholly to continuing activities.

A statement of recognised gains and losses is not shown as all gains and losses are recognised in the Income and Expenditure Account.

Historical costs, surpluses and deficits are identical to those shown in the accounts.

The notes on pages 16 to 30 form part of these accounts.

HORIZON HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31 MARCH 2015

	Notes	2015		2014	
		£	£	£	£
Tangible fixed assets					
Housing properties - gross cost less depreciation	4		58,357,354		58,151,616
Less: HAG and other grants	4		<u>(44,988,505)</u>		<u>(45,082,451)</u>
			13,368,849		13,069,165
Other fixed assets	4		<u>647,747</u>		<u>432,041</u>
			14,016,596		13,501,206
Current assets					
Stock		8,206		7,935	
Debtors	5	491,109		266,551	
Cash at bank and in hand		<u>1,706,984</u>		<u>1,539,625</u>	
		2,206,299		1,814,111	
Creditors: Amounts falling due within one year	6	(1,776,068)		(905,610)	
Provisions for liabilities	7	<u>-</u>		<u>(429,000)</u>	
		(1,776,068)		(1,334,610)	
Net current assets			<u>430,231</u>		<u>479,501</u>
Total assets less current liabilities			14,446,827		13,980,707
Creditors: Amounts falling due after more than one year	8		(11,535,384)		(11,900,204)
Provisions for Liabilities	7		<u>(429,000)</u>		<u>-</u>
Net assets			<u>2,482,443</u>		<u>2,080,503</u>
Capital and Reserves					
Share capital	10		63		73
Designated reserves	16		699,907		650,022
Revenue reserves	15		<u>1,782,473</u>		<u>1,430,408</u>
			<u>2,482,443</u>		<u>2,080,503</u>

Approved and authorised for issue by the Board of Management on 11 August 2015 and signed on its behalf by:

F R Wood, Chairperson

Frank R Wood

R B Hartness, Board Member

Robert B Hartness

J Fitzpatrick, Secretary

Julie Fitzpatrick

The notes on pages 16 to 30 form an integral part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015		2014	
		£	£	£	£
Net cash inflow from operating activities	17		2,117,323		951,997
Return on investment and servicing of finance					
Interest received		1,972		1,612	
Interest paid		<u>(358,550)</u>		<u>(391,876)</u>	
			(356,578)		(390,264)
Capital expenditure					
Payments to acquire housing stock		(1,072,603)		(750,420)	
Payments to acquire other fixed assets		(222,067)		(17,857)	
Receipts from sale of fixed assets		13,054		-	
HAG & other capital grants received		-		19,477	
Repayment of Capital Grants		<u>-</u>		<u>(52,521)</u>	
			<u>(1,281,616)</u>		<u>(801,321)</u>
			479,129		(239,588)
Financing					
New mortgage loan		50,000		-	
Mortgage repayments		(361,770)		(344,013)	
Cash movement in share capital		<u>-</u>		<u>-</u>	
			<u>(311,770)</u>		<u>(344,013)</u>
Increase/(decrease) in cash			<u>167,359</u>		<u>(583,601)</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 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. A full year's depreciation is charged in the year of acquisition but no charge is made in the year of disposal. 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

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

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.

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.

(t) Corporation Tax

Horizon Housing Association Limited is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2012 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 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.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

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

	Turnover £	Operating Costs £	2015 Operating Surplus/ (deficit) £	2014 Operating Surplus/ (deficit) £
Income and expenditure from social lettings (note 3a)	3,498,366	2,665,566	832,800	946,442
Income and expenditure from other activities (note 3b)	506,502	552,421	(45,919)	(443,750)
2015 Total	<u>4,004,868</u>	<u>3,217,987</u>	<u>786,881</u>	<u>502,692</u>
2014 Total	<u>3,921,787</u>	<u>3,419,095</u>	<u>502,692</u>	

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

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

	Housing Accommodation £	Shared Ownership £	Special Needs Accommodation £	Total 2015 £	Total 2014 £
Income from social lettings					
Rent receivable	3,340,839	65,430	66,401	3,472,670	3,158,693
Service Charges Receivable	-	20,076	-	20,076	233,531
Gross income from rents and service charges	3,340,839	85,506	66,401	3,492,746	3,392,224
Less: Voids	(13,871)	-	-	(13,871)	(14,960)
Net income from rents and service charges	3,326,968	85,506	66,401	3,478,875	3,377,264
Grants from Scottish Ministers	-	-	-	-	-
Other Revenue grants	19,491	-	-	19,491	12,975
Total turnover from social letting activities	3,346,459	85,506	66,401	3,498,366	3,390,239
Expenditure on social letting activities					
Management and maintenance administration costs	1,186,478	4,976	44,445	1,235,899	924,007
Service costs	201,171	7,675	2,361	211,207	210,252
Planned and cyclical maintenance including major repair costs	42,296	-	4,781	47,077	118,887
Reactive Maintenance costs	459,162	-	9,383	468,545	529,076
Bad Debts – Rents and Services	43,139	-	-	43,139	36,254
Bad Debts - Repairs	2,337	-	-	2,337	10,857
Depreciation of social housing	539,469	11,409	19,579	570,457	539,700
Loss on Disposal of components	86,905	-	-	86,905	74,764
Operating costs for social letting activities	2,560,957	24,060	80,549	2,665,566	2,443,797
2015 Operating surplus on social letting activities	785,502	61,446	(14,148)	832,800	946,442
2014 Operating surplus on social letting activities	884,560	52,465	9,417	946,442	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2014 - £nil).

The cost of property components capitalised in the year was £929,993 (2014 - £522,713).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (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) 2015 £	Operating surplus/ (deficit) 2014 £
Care and repair	-	169,650	-	227,193	396,843	401,501	(4,658)	28,827
Factoring	-	-	-	12,576	12,576	11,214	1,362	633
Agency services for registered social landlords	-	-	-	16,062	16,062	16,062	-	-
Stage 3 Adaptations	66,081	-	-	-	66,081	74,123	(8,042)	(2,376)
Development	-	-	-	-	-	-	-	-
Other activities - new initiatives	-	-	-	-	-	47,021	(47,021)	(49,288)
Provision for liabilities	-	-	-	-	-	-	-	(429,000)
Other activities	-	-	-	14,940	14,940	2,500	12,440	7,454
2015 Total from other activities	66,081	169,650	-	270,771	506,502	552,421	(45,919)	(443,750)
2014 Total from other activities	94,969	174,363	-	262,216	531,548	975,298	(443,750)	

The Association did not receive any income or incur any expenditure in respect of the Wider Role or Support and Care activities. (2014 - £nil)

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

4. 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 £	2015 Grand Total £	2014 Grand Total £
Cost									
At 1 April 2014	61,144,280	1,468,551	62,612,831	505,707	116,960	85,042	707,709	63,320,540	62,830,762
Additions during year	929,993	68,460	998,453	209,896	21,891	15,685	247,472	1,245,925	767,087
Disposals	(411,407)	-	(411,407)	-	-	-	-	(411,407)	(277,309)
At 31 March 2015	61,662,866	1,537,011	63,199,877	715,603	138,851	100,727	955,181	64,155,058	63,320,540
Depreciation									
At 1 April 2014	4,406,041	55,174	4,461,215	93,497	95,232	85,042	273,771	4,734,986	4,364,912
Provided during year	559,049	11,409	570,458	20,671	7,173	3,922	31,766	602,224	570,619
Disposals during year	(189,150)	-	(189,150)	-	-	-	-	(189,150)	(200,545)
At 31 March 2015	4,775,940	66,583	4,842,523	114,168	102,405	88,964	305,537	5,148,060	4,734,986
Housing Association Grant									
At 1 April 2014	44,270,517	811,934	45,082,451	-	1,897	-	1,897	45,084,348	45,124,885
Additions	-	-	-	-	-	-	-	-	11,984
Disposals	(93,946)	-	(93,946)	-	-	-	-	(93,946)	(52,521)
At 31 March 2015	44,176,571	811,934	44,988,505	-	1,897	-	1,897	44,990,402	45,084,348
Net book value									
At 31 March 2015	12,710,355	658,494	13,368,849	601,435	34,549	11,763	647,747	14,016,596	13,501,206
At 31 March 2014	12,467,722	601,443	13,069,165	412,210	19,831	-	432,041	13,501,206	

Development administration costs capitalised amounted to £nil (2014 - £nil) for which Housing Association Grants amounting to £nil (2014 - £nil) were received in the year. Housing Association Grants above includes no grants from other sources in the year (2014 - £11,984). Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2014 - £nil). Total works expenditure on housing properties amounted to £930,330 (2014 - £564,885) of which £929,993 (2014 - £522,713) was capitalised and £37 (2014 - £42,172) was expensed. Of the £929,993 (2014 - £522,713) works capitalised, £929,993 (2014 - £522,713) were replacements and £nil (2014 - £nil) were improvements.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

5. Debtors	2015	2014
	£	£
Rent arrears	191,819	174,434
Less: Provision for Bad Debts	(112,310)	(65,748)
Net Rent Arrears	79,509	108,686
Grants and mortgage advances receivable	11,183	96,280
Sundry debtors and prepayments	273,373	36,395
Amounts due from Parent	88,980	25,190
Amounts due from Group companies	38,064	-
	<u>491,109</u>	<u>266,551</u>

6. Creditors: amounts falling due within one year	2015	2014
	£	£
Rents in advance	121,486	108,446
Capital creditors	92,950	141,684
Sundry creditors and accruals	605,172	207,889
Amount due to Parent	416,251	68,057
Amount due to Group companies	120,344	12,719
Service equalisation account	3,168	3,168
Current instalments due on loans	416,697	363,647
	<u>1,776,068</u>	<u>905,610</u>

7. Provisions for liabilities:	2015	2014
	£	£
Balance at 1 April 2014	429,000	-
Charge to the income and expenditure account for the year	-	429,000
Balance at 31 March 2015	<u>429,000</u>	<u>429,000</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, and a provision of £429,000 was made in 2014. 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.

During 2014/15 there has been no material progress in respect of legal proceedings and therefore the value of the provision is still considered appropriate. It is however considered highly unlikely that the matter will be concluded within one year, and the provision has been reclassified as falling due after one year in 2015.

8. Creditors: amounts falling due after more than one year	2015	2014
	£	£
Housing loans	<u>11,535,384</u>	<u>11,900,204</u>

The current instalments due on the above loans are included in note 6 above.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

9. Loans	2015	2014
	£	£
Loans secured by a charge on some of the Association's housing land and buildings		
i) Loans other than instalment loans		
Loans advanced by the Scottish Government	2	2
These loans fall to be repaid in March 2042 and November 2049. No interest is payable.		
Loans advanced by Private Lender	50,000	-
This loan is payable on demand and no interest is payable.		
ii) Loans repayable by instalments		
Loans advanced by Private Lenders	11,902,079	12,263,849
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% (2014 – 0.5%% and 5.68%%)		
	<u>11,952,081</u>	<u>12,263,851</u>
 Analysis of Maturity of Debt		
Amounts Repayable:	2015	2014
	£	£
Due within one year:	416,697	363,647
Due within 1-2 years	373,738	368,025
Due within 2-5 years	1,181,549	1,162,728
Due after 5 years	9,980,097	10,369,451
	<u>11,952,081</u>	<u>12,263,851</u>
 10. Share capital	2015	2014
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2014	73	74
Issued during the year	2	-
Disposed during the year	(12)	(1)
	<u>63</u>	<u>73</u>
At 31 March 2015	63	73

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 2015 (continued)****11. Capital Commitments**

Amounts contracted for but not provided in the accounts amounted to £nil (2014 - £nil).

12. Employees

	2015	2014
	£	£
Staff costs during year:		
Wages and salaries	1,123,382	913,380
Social security costs	107,046	86,422
Other pension costs	240,942	155,668
	<u>1,471,370</u>	<u>1,155,470</u>
	FTE	FTE
Average Full Time Equivalent number of employees of the Association during the year was	<u>36</u>	<u>32</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. There were no (2014 - none) directors whose total emoluments were £60,000 or more, excluding pension contributions, during the year.

Number of directors during the year whose total emoluments (including pension contributions) were:

	2015	2014
	£	£
£60,000 - £69,999	<u>1</u>	<u>1</u>
Emoluments payable to the Managing Director :	<u>55,948</u>	<u>54,549</u>

No member of the Board of Management received any emoluments in respect of their services to the Association.

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 £7,391 (2014 - £6,612).

	£	£
Total expenses reimbursed insofar as not chargeable to UK Income Tax		
Full time Directors	<u>2,730</u>	<u>716</u>
Board of Management	<u>1,491</u>	<u>2,147</u>

13. 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 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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 2014. As of this date the estimated employer debt for Horizon Housing Association Limited was £4,942,121.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

13. 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 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 6%, 9% or 12% of pensionable salaries for members of the defined contribution scheme and member contributions were up to 5%. In addition, Horizon Housing Association paid contributions to past service deficits based on Technical Provisions liabilities as at 30 September 2012.

As at the balance sheet date, there were 28 active members (2014: 22) 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
Rate of pension increases	
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 2015 (continued)

13. Pensions (continued)

Contribution Rates for Future Service (payable from 1 April 2015)	%
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%
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.

14. Auditor's Remuneration	2015	2014
	£	£
Audit of these financial statements	5,150	5,150

15. Revenue reserves

	2015	2014
	£	£
Balance at 1 April 2014	1,430,408	1,403,868
Surplus for the year	401,950	112,428
Net transfer to designated reserves	(49,885)	(85,888)
Balance at 31 March 2015	<u>1,782,473</u>	<u>1,430,408</u>

16. Designated reserves

	Cyclical Maintenance Reserve £	Service Replacement Reserve £	Total Designated Reserve £
Balance at 1 April 2014	306,032	343,990	650,022
Transfer to revenue reserve	(113,565)	-	(113,565)
Transfer from revenue reserve	155,800	7,650	163,450
Net Transfer	<u>42,235</u>	<u>7,650</u>	<u>49,885</u>
Balance at 31 March 2015	<u>348,267</u>	<u>351,640</u>	<u>699,907</u>

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

	2015	2014
	£	£
Operating Surplus	786,881	502,692
Depreciation	602,224	572,619
Loss on disposal of components	86,905	74,764
Provision for liabilities	-	429,000
(Increase) in debtors	(224,558)	(7,111)
Increase /(Decrease) in creditors	866,142	(617,709)
Increase in stock and work in progress	(271)	(2,258)
Net cash inflow from operating activities	<u>2,117,323</u>	<u>951,997</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

18. Reconciliation of net cash inflow/(outflow) to movement in debt	2015	2014
	£	£
Increase/(decrease) in cash in year	167,359	(583,601)
Loan repaid	361,770	344,013
Cash received from new loans	(50,000)	-
Change in net debt	479,129	(239,588)
Net debt at 1 April 2014	(10,724,226)	(10,484,638)
Net debt at 31 March 2015	<u>(10,245,097)</u>	<u>(10,724,226)</u>

19. Analysis of changes in financing during the year

	As at 1 April 2014 £	Cashflows £	As at 31 March 2015 £
Cash at bank and in hand	1,539,625	167,359	1,706,984
Debt due within one year	(363,647)	(53,050)	(416,697)
Debt due outwith one year	(11,900,204)	364,820	(11,535,384)
	<u>(10,724,226)</u>	479,129	<u>(10,245,097)</u>

20. Housing Units

	2015		2014	
	Newbuild	Rehab	Newbuild	Rehab
General Needs	794	1	794	2
Shared Ownership	24	7	24	6
Supported units in Residential Accommodation	1	-	1	-
Total	<u>819</u>	<u>8</u>	<u>819</u>	<u>8</u>

In addition, Horizon manages 7 units on behalf of Link Housing Association (2014 – 7).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (continued)

21. 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 2014. As of this date the estimated employer debt for Horizon Housing Association Limited was £4,942,121.

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.

22. Related Parties

As at 31 March 2015 two members of the Board were tenants, six members were employees of public entities and none were Councillors. The tenancies of those Board members who were tenants during the year are on normal commercial terms and they cannot use their position to their advantage. The transactions made with the related public entities are made at arm's length, on normal commercial terms and these Board members cannot use their position to their advantage.

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.

23. Ultimate Parent Organisation

The company's parent undertaking at the balance sheet date was Link Group Limited, a Community Benefit 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.