



HORIZON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For The Year Ended 31 March 2017

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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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,)
Mr R B Hartness (Vice Chairperson)
Mr C Baird
Mr G Carson
Mr S Dow
Ms S Fitton (Appointed October 2016)
Mr R McDougal
Mr D A McPhail (Resigned May 2017)
Ms J Pritchard
Mr T S Rae
Mr W Taylor

Executive Officers

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

Principal Banker

Clydesdale Bank
30 St Vincent Place
Glasgow
G1 2HL

Funder

Nationwide Building Society
Kings Park Road
Moulton Park
Northampton
NN3 6NW

External Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Internal Auditor

TIAA
61 Dublin Street
Edinburgh
EH3 6NL

Solicitor

T C Young
7 West George Street
Glasgow
G2 1BA

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report for the year ended 31 March 2017.

PRINCIPAL ACTIVITY

The principal activity of Horizon Housing Association is the provision of affordable, accessible housing and related services 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 2016. Our five strategic objectives are set out below, and support the four overarching Link Group aims of:

- Providing homes
- Building communities
- Valuing people
- Working together

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:

- Provide quality homes and services at the right price for our current and future tenants.
- Contribute to delivery of more accessible homes across Scotland, and serve as an exemplar of good practice.
- Focus innovation and growth on initiatives which keep older and disabled people in the community with a good quality of life.
- Explore with Link approaches to enhance capacity to achieve Horizon's desired outcomes, through efficiencies and streamlining.
- Deliver social impact and value for money with effective people, processes, structures and finances.

The objectives are designed to deliver the following outcomes:

- Tenants and owners have well designed and maintained homes and environments where they feel safe and secure.
- Tenants maintain their tenancies and get the help they need to manage challenges and change.
- Disabled and older people are able to live independently in homes adapted to enable this.
- Disabled people have choice and control about where and how they live.
- Disabled and older people are active participants in inclusive communities.
- Tenants, staff, Board and volunteers are supported to fulfil their potential.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

OPERATING AND FINANCIAL REVIEW

An operating and financial review is presented, as a strategic report is not required for an association of Horizon's size.

Financial Performance

The financial statements are prepared in accordance with the Statement of Recommended Practice (SORP) for Social Housing Providers. Horizon Housing Association Limited ("Horizon" or the "Association") achieved a surplus for the year of £1,297,803 (2016, £787,697).

Turnover increased by approximately 6.4% to £5.1m (2016, £4.8m) and Operating Costs increased by 11.4% to £4.1m (2016, £3.7m). The income from Social Letting Activities increased by 2.3% and this principally reflects rent increases applied in April 2016, and increased levels of funding for adaptations. Turnover from Other Activities increased by 46.7% in total. This increase is principally due increased income from Care and Repair Services and proceeds of three property sales.

Horizon's surplus for the year increased by £510,106 compared with 2016, due principally to the effect of an overall decrease in the value of pension scheme liabilities, where a net credit of £0.6m was reflected in the Statement of Comprehensive Income. Horizon adopted a change in the way in which pension liabilities are calculated in 2017 and this is described in detail in notes 10 and 14.

The results for 2017 were in line with the Board's expectations and within Horizon's budget and business plan for 2016/17 and beyond.

Properties in Management

The number of properties managed by Horizon was 866 at 31 March 2017. This includes 11 properties for shared accommodation for people with support needs, 29 shared ownership properties, 33 properties factored for owner occupiers and 8 properties managed on behalf of Link Housing Association under the Access Ownership scheme.

Houses under Construction

At 31 March 2017, the Association had no properties under construction.

Operating Performance

1. Housing Services

Many Horizon tenants have a long term health condition or are disabled and a large proportion of tenants are over the age of 65. Housing and asset management services are geared to meeting individual's needs and enabling continued independence and supported independent living. They also recognise the particularly adverse impact of social security changes and cuts on disabled people. The priorities for housing management were income maximisation in this context and action to contain and reduce rent arrears. Horizon continued to invest in welfare rights and money advice support, working in partnership with Link. The combination of income maximisation and robust rent arrears control saw a slight downward trend in rent arrears levels as a proportion of rental income and achievement of the arrears target.

During the year Horizon's tenancy sustainment service became a core service which worked with 80 tenants, achieving a range of positive outcomes in challenging circumstances and yielding over £200,000 of additional income for tenants.

Property turnover was 55 relets (7% of housing stock) and rent loss due to voids is contained at 0.32%, compared to 0.34% in 2015/16. A choice-based lettings policy is in place, supported by the Homehunt register, managed on our behalf by Link Housing. This is supplemented by Home 2Fit, the Scottish accessible housing register which Horizon continues to pilot for the letting of its wheelchair standard or adapted properties.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

OPERATING AND FINANCIAL REVIEW

2. Asset Management

A comprehensive review of Horizon's asset management strategy was initiated, and largely completed, during the year. This has resulted in a whole system approach and programme for in-house stock condition surveys being introduced which has been enhanced by the use of bespoke software and more data collection relating to home health checks and tenant needs. With the help of external consultants we confirmed that our approach was robust and development of a five year investment plan is underway. The plan indicates that Horizon will have no difficulty in achieving the Scottish Government's Energy Efficiency Standard for Social Housing (EESH) by 2020.

A procurement plan was established to invest £750,000 in planned maintenance works, which was completed by the end of the financial year, improving 153 properties and with 98% tenant satisfaction levels. Horizon is using Link Group's in-house trades subsidiary, Link Property, to carry out the majority of its repairs. Satisfaction levels have increased markedly with the repairs service with 91% of tenants surveyed confirming that they were satisfied with the service, compared with 73% in the last survey.

We completed 49 adaptations for Horizon tenants in the year with grant assistance from Scottish Government and adapted homes where required as part of planned maintenance programmes for bathrooms and kitchens.

Our Estates Caretaking team ensures that the environments around Horizon's developments and communal areas are maintained to high standards and that any issues are quickly identified and addressed. In addition, an annual estate inspection attended by staff representatives and tenants is used to identify the need for improvements or renewals, with this insight informing the development of improvement plans and associated budgets. A number of estate improvements were carried out during the year in response to this.

3. Tenant Involvement

Horizon established a tenant scrutiny panel during the year which is called the "Resident Improvement Group" (RIG). The group's first scrutiny project on repairs and maintenance is due to complete in June 2017 and will be reported to Horizon's Board.

A new tenants' handbook was developed in consultation with tenants and will be published in 2017. Through social media accounts we have raised our profile and communication routes. In addition our website renewal project is well advanced. Tenant perception of value for money increased in a recent survey with 88% of tenants surveyed being of the view that their rent represented value for money.

There are currently two tenant members on the Board of Management ("The Board"). Three places on Horizon's Board are reserved for tenant members.

4. 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 services are contracted by West Lothian and North Lanarkshire Councils and contribute to achieving their local housing strategies and the national health and wellbeing outcomes.

In North Lanarkshire all contract targets were exceeded, with 3,812 jobs completed and all within target timescales. Considerable efforts have been put into attracting more volunteers and the numbers of volunteers has increased, although more is being done to promote the service to other agencies in North Lanarkshire. A Community Jobs Trainee was appointed and has been trained as an administrative assistant.

In West Lothian we were successful in securing an extension of the Care and Repair service through to August 2018. During the year the service carried out 227 Scheme of Assistance funded major adaptations, 336 minor adaptations and project managed 5 privately funded works. It extended its work to include adaptations for disabled children and their families. Of the Scheme of Assistance adaptations, 69% were carried out within 4 months, with the remainder taking longer because of the complexities of the adaptations required. In addition it carried out almost 1200 jobs involving small repairs, handyperson services or keysafe fitting for people aged 60 or over.

OPERATING AND FINANCIAL REVIEW

4. Care and Repair (continued)

LinkLiving's Volunteer Services team have again been engaged, under the terms of a Service Level Agreement, by Horizon to work in partnership with the Care and Repair team to develop the volunteer Handyperson Service.

5. New Initiatives and Wider Partnerships

In pursuit of its objective to enable older and disabled people to remain living independently in their community, Horizon initiated or supported new initiatives in the year.

Help to Adapt was a Scottish Government pilot scheme designed to help people over 60 to live independently at home for longer. Horizon supported Link Group to deliver the pilot from April 2016 and has been closely involved in its design, development and marketing, and in service delivery. The Scottish Government decided that it would not support the continuation of the pilot beyond March 2017 and that although the pilot had provided a valuable service for older people, as designed it was not suitable for national rollout. Horizon agreed with this conclusion and was able to work with Link Group to retain a core team to provide an in-house consultancy service, thereby retaining and utilising the skills and experience for the benefit of the group's tenants and in the design of housing for future tenants.

In 2016/17, Horizon continued its collaboration with Stirling University on a scoping study for research into the effective allocation of adapted social rented housing. Pioneering a methodology of co-producing academic research with disabled people, the main findings were presented to Horizon tenants and members at the AGM in September 2016 and the study was also presented to the World Disability Congress held in Edinburgh in October 2016. The scoping study formed the basis for a successful substantive partnership bid to the Disability Research for Independent Living and Learning (DRILL) programme in December 2016. With Horizon as the lead partner, this work will start in July 2017.

Horizon continues to work with partners, including Link Group and a range of Disabled Persons Organisations, to achieve an increase in the supply of homes accessible to and designed for wheelchair users across all tenures; and to maximise the benefit from existing homes.

6. Future Developments

Horizon's Board has clear priorities for 2017/18, all linked to the five strategic objectives set out earlier in this report and all intended to contribute towards the outcomes also set out earlier.

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. The proposed new development in Stoneyburn, West Lothian for 12 properties for disabled and older people is now on site and completion is expected in October 2017. The West Lothian Development Alliance has also submitted an indicative programme for the Strategic Housing Investment Plan (SHIP) showing a further potential development for Horizon, to complete in 2020/21 – 22 properties in North Street, Armadale with 4 of these properties for wheelchair users.

The evaluation of Access Ownership in 2015/16 demonstrated the value of this programme in achieving housing solutions under a social enterprise model which requires no capital investment from statutory resources (although the model does also lend itself to this). Although the acquisition of three further properties was achieved in 2016/17, much more has to be done to free up resources to enable the further development of housing demand for the initiative to be evidenced and also to procure the funding for the intended acquisition of 15 - 20 properties per annum. This continues to be an area of focus for Horizon in 2017/18.

7. Business Outlook

Horizon's business plan incorporates 30 year financial projections which demonstrate Horizon to be a viable going concern, able to meet its commitments and requirements in relation to service and asset management as well as maintain and comply with various obligations required by its lender.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

7. Business Outlook (continued)

To support the ongoing development and planned maintenance programme Horizon anticipates it requires £3m in additional borrowing to finance the capital investment. In addition to this, the expansion of Access Ownership will also require funding and these are both areas which Horizon will be exploring with Link Group during 2017/18.

Like all social housing providers, Horizon is experiencing the impact of the roll out of social security changes (welfare reforms) including the introduction of Universal Credit. Although Horizon includes the impact of adverse scenarios arising from these reforms in its sensitivity analyses on its long term financial projections, the full impact of Universal Credit continues to be the one of the highest risks facing Horizon in the immediate future.

Corporate Governance

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, regular briefing sessions, encourages and arranges attendance at conferences and training and at tenant involvement events. In 2016/17, Horizon repeated its annual governance appraisal process using the previously developed framework for individual Board member appraisal, including the Chairperson, and collective Board appraisal.

A new Board member was co-opted in October following a recruitment process.

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

Horizon 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.

Horizon, as a matter of policy, does not enter into transactions of a speculative nature. As at 31 March 2017, £6.4m (57%) 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

Horizon 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 members in our Annual Review and to tenants in the Annual Report to Tenants. Performance against the Scottish Social Housing Charter Outcomes and other measures is also reported quarterly to the Link Group Board. 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 Management 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 Horizon), and through this has identified 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

Horizon 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 this maintenance and associated repairs would be charged to the Income and Expenditure account.

In addition, Horizon 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 SORP.

Component accounting

In accordance with the SORP, Horizon 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 better to reflect the use of the component over its life cycle.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives. In 2016/17 a Board and Employee Negotiating Committee for Horizon (BENCH) was established in place of the previous Joint Negotiation Committee to negotiate a new salary structure and a range of other HR policies following Horizon's withdrawal as a member from Employers in Voluntary Housing (EVH) in January 2016. 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. In order to mitigate risks associated with social security changes and to improve clarity and transparency for tenants, work will commence in 2017-18 to review the rent setting structure and policy.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

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 (32.26 FTE) of which two consider themselves to be disabled. In addition Horizon manages a further 8 staff seconded from Link Group and Link Living to provide the North Lanarkshire Care & Repair Service.

Home Ownership

Horizon sold one access ownership property and two shared ownership properties on the open market in the year (2016 – nil). Horizon continues to extend choice of home ownership to disabled people through the Access Ownership scheme and, in partnership with Link Group Limited, funds were made available in 2016/17 to invest in tailored shared ownership solutions for disabled people and their families. There were three acquisitions under the programme in the year (one by Horizon and two by Link Group). 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 re-appointed 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: 18 July 2017

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 ("The Board") acknowledges its 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'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 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 financial statements 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 members.
- the Board reviews 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 has continued to review the system of internal financial control in the Association during the year ended 31 March 2017. 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 external auditor's report on the financial statements.

BY ORDER OF THE BOARD OF MANAGEMENT



F R Wood
Chairperson

Date: 18 July 2017

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 (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 to prepare financial statements for each financial year. Under those regulations the Board has 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 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 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 financial statements (Scotland) Regulations 2006 (as amended). The Board 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: 18 July 2017

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 for the year ended 31 March 2017 set out on pages 14 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the association 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 association 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 association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 12, 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 2017 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 and the Registered Social Landlords Determination of Accounting Requirements 2014, 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 11:

- does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; and
- is 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

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

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

24 July 2017

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Turnover	2	5,144,264	4,833,750
Operating expenditure	2	<u>(4,083,787)</u>	<u>(3,666,241)</u>
Operating surplus		1,060,477	1,167,509
Gain on disposal of other fixed assets		3,800	5,800
Interest receivable		1,161	1,468
Interest and financing costs		(322,641)	(345,080)
Other finance charges		<u>(30,000)</u>	<u>(42,000)</u>
Surplus on ordinary activities before taxation		712,797	787,697
Taxation		<u>-</u>	<u>-</u>
Surplus for the year		712,797	787,697
Release of provision for pension liabilities		1,876,006	-
Remeasurement of the defined benefit pension liability		<u>(1,291,000)</u>	<u>-</u>
Total comprehensive income for the year		<u><u>1,297,803</u></u>	<u><u>787,697</u></u>

All results relate wholly to continuing activities.

STATEMENT OF CHANGES IN RESERVES

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1 April 2016	63	2,209,536	2,209,599
Shares issued during the year	2	-	2
Surplus from Statement of Comprehensive Income	-	712,797	712,797
Release of provision for pension liabilities	-	1,876,006	1,876,006
Remeasurement of the defined benefit pension liability	-	<u>(1,291,000)</u>	<u>(1,291,000)</u>
Balance as at 31 March 2017	<u><u>65</u></u>	<u><u>3,507,339</u></u>	<u><u>3,507,404</u></u>

The notes on pages 17 to 33 form part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	2017		2016	
		£	£	£	£
Non-Current Assets					
Tangible fixed assets					
Housing properties	4a		46,835,490		47,536,545
Other fixed assets	4b		<u>732,148</u>		<u>733,069</u>
			47,567,638		48,269,614
Current Assets					
Stock		7,702		8,719	
Trade and other debtors	5	274,644		134,225	
Cash and cash equivalents		<u>1,652,598</u>		<u>2,166,329</u>	
		1,934,944		2,309,273	
Creditors: amounts falling due within one year	6	<u>(1,537,078)</u>		<u>(1,991,315)</u>	
Net current assets			<u>397,866</u>		<u>317,958</u>
Total assets less current liabilities			47,965,504		48,587,572
Creditors: amounts falling due after more than one year	7		(10,747,412)		(11,154,860)
Deferred income	9		(32,548,558)		(33,347,107)
Provision for liabilities	10		-		(1,876,006)
Pension liability	14b		(1,162,130)		-
Net assets			<u>3,507,404</u>		<u>2,209,599</u>
Capital and reserves					
Share capital	11		65		63
Revenue reserve including pension reserve			3,507,339		2,209,536
			<u>3,507,404</u>		<u>2,209,599</u>

Approved and authorised for issue by the Board of Management on 18 July 2017 and signed on its behalf by:

F R Wood, Chairperson



R B Hartness, Board Member



J Fitzpatrick, Secretary



The notes on pages 17 to 33 form an integral part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017		2016	
		£	£	£	£
Net cash inflow from operating activities	16		1,078,240		1,829,563
Investing activities					
Acquisition and construction of properties		(758,332)		(510,163)	
Purchase of other fixed assets		(79,636)		(149,348)	
Proceeds on disposal of fixed assets		3,800		5,800	
Grants repaid		(49,950)			
Interest received on cash and cash equivalents		1,161		1,468	
Net cash outflow from investing activities			(882,957)		(652,243)
Financing activities					
Interest paid on loans		(322,641)		(345,080)	
Loan principal repayments		(386,373)		(372,895)	
Net cash outflow from financing activities			(709,014)		(717,975)
(Decrease)/increase in cash			(513,731)		459,345
Opening cash and cash equivalents			2,166,329		1,706,984
Closing cash and cash equivalents			1,652,598		2,166,329

The notes on pages 17 to 33 form an integral part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

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 anticipates that a surplus will be generated in the year to 31 March 2018. The Association has a healthy cash and net current asset position and thus the Board of Management is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Board of Management continues to adopt the going concern basis of accounting in preparing the annual financial statements.

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 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers 2014 (SORP 2014) and Financial Reporting Standard 102 (FRS 102).

(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) Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

(d) Finance

The financial statements have been prepared on the basis that the capital expenditure referred to in Note 4 will be grant aided, funded by loan or met out of reserves.

(e) Financial instruments

Loans provided by lenders are classed as "basic" under the requirements of FRS 102 and are measured at amortised cost.

(f) 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.

(g) Grants

Social Housing Grants and Other Capital Grants are accounted for using the accrual method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised as income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

1. Accounting Policies (continued)

(g) Grants (continued)

Non-government grants are accounted for using the performance method, as outlined in Section 34 of Financial Reporting Standard 102 and the SORP 2014. Non-government grants are recognised as income when the performance conditions have been met.

(h) Depreciation

Housing properties

Properties are stated at historical cost 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 years	Bathrooms – over 25 years	Boilers – over 12 years

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 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.

(i) 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.

(j) 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.

(k) 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)

(l) Pensions

The Association participated in the Pensions Trust Scottish Housing Association Pension Scheme (SHAPS) Defined Contribution pension scheme. The scheme is now closed, with members transferring to the SHAPS Defined Contribution Scheme in September 2013.

Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. In respect of the defined benefit element of the scheme, payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations taken as a whole. In accordance with FRS 102, the Group's share of the scheme assets and liabilities has been separately identified and included in the Group's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Horizon's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

(m) Stocks

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

(n) 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.

(o) 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.

(p) 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.

(q) 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £	Operating Costs £	2017 Operating Surplus £	2016 Operating Surplus £
Affordable letting activities (note 3a)	4,491,359	3,553,906	937,453	970,581
Other activities (note 3b)	<u>652,905</u>	<u>529,881</u>	<u>123,024</u>	<u>196,928</u>
2017 Total	<u>5,144,264</u>	<u>4,083,787</u>	<u>1,060,477</u>	<u>1,167,509</u>
2016 Total	<u>4,833,750</u>	<u>3,666,241</u>	<u>1,167,509</u>	

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

3a.Particulars of Turnover, Operating Costs and Operating Surplus from Affordable Letting Activities

	General Needs Housing £	Supported Housing £	Shared Ownership £	Total 2017 £	Total 2016 £
Revenue from lettings					
Rent receivable (net of service charges)	3,459,023	70,877	65,486	3,595,386	3,538,537
Service charges Receivable	-	-	18,712	18,712	19,649
Gross income from rents and service charges	3,459,023	70,877	84,198	3,614,098	3,558,186
Less: Voids	(12,145)	-	-	(12,145)	(14,407)
Net income from rents and service charges	3,446,878	70,877	84,198	3,601,953	3,543,779
Revenue Grants					
Grants released from deferred income	710,863	25,326	12,410	748,599	749,720
Revenue grants from Scottish Ministers	135,171	-	-	135,171	81,507
Other revenue grants	5,636	-	-	5,636	13,754
Total turnover from affordable letting activities	4,298,548	96,203	96,608	4,491,359	4,388,760
Expenditure on affordable letting activities					
Management and maintenance administration costs	1,106,014	8,083	4,683	1,118,780	1,165,769
Service costs	213,233	2,506	7,583	223,322	211,636
Planned and cyclical maintenance including major repair costs	251,651	26,710	46,684	325,045	207,332
Reactive Maintenance costs	503,566	4,301	-	507,867	484,305
Bad Debts – rents and service charges	23,907	-	-	23,907	3,273
Depreciation of affordable let properties	1,226,842	41,787	24,259	1,292,888	1,267,620
Loss on disposal of components	62,097	-	-	62,097	78,244
Operating costs for affordable letting activities	3,387,310	83,387	83,209	3,553,906	3,418,179
2017 Operating surplus on affordable letting activities	911,238	12,816	13,399	937,453	970,581
2016 Operating surplus on affordable letting activities	891,573	9,244	69,764	970,581	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2016 - £nil). The cost of property components capitalised in the year was £705,930 (2016 - £483,922).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

3b. Particulars Of Turnover, Operating Costs and Operating Surplus/(Deficit) from Other Activities

	Other revenue grants £	Other income £	Total Turnover £	Operating costs – bad debts	Other operating costs £	Operating surplus/ (deficit) 2017 £	Operating surplus/ (deficit) 2016 £
Care and repair	169,500	261,017	430,517	-	400,064	30,453	(5,139)
Factoring	-	11,855	11,855	-	11,167	688	1,733
Contracted out services for registered social landlords	-	52,742	52,742	-	49,917	2,825	408
Gain on disposal of properties	-	147,413	147,413	-	132,205	15,208	-
Other activities - new initiatives	-	-	-	-	51,528	(51,528)	(54,725)
Provision for liabilities	-	-	-	-	-	-	359,000
Bad debt provision for sundry debts	-	-	-	(115,000)	-	115,000	(115,000)
Other activities	-	10,378	10,378	-	-	10,378	10,651
2017 Total	169,500	483,405	652,905	(115,000)	644,881	123,024	196,928
2016 Total	169,500	275,490	444,990	115,000	133,062	196,928	

The Association did not receive any income or incur any expenditure in respect of the Wider Role or Support and Care activities and did not receive any Grants from Scottish Ministers or income for care or support activities from statutory sources (2016 - £nil).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

4. Non-Current Assets

4a. Housing Properties

	Housing Properties held for Letting £	Completed Shared Ownership Housing Property £	2017 Housing properties Total £	2016 Housing properties Total £
Cost				
At 1 April 2016	61,942,688	1,537,011	63,479,699	63,199,877
Additions during year	705,930	67,592	773,522	483,922
Disposals	(248,320)	(149,112)	(397,432)	(204,100)
At 31 March 2017	<u>62,400,298</u>	<u>1,455,491</u>	<u>63,855,789</u>	<u>63,479,699</u>
Depreciation				
At 1 April 2016	15,689,204	253,950	15,943,154	14,801,390
Provided during year	1,268,629	24,259	1,292,888	1,267,620
Disposals during year	(186,223)	(29,520)	(215,743)	(125,856)
At 31 March 2017	<u>16,771,610</u>	<u>248,689</u>	<u>17,020,299</u>	<u>15,943,154</u>
Net book value				
At 31 March 2017	<u>45,628,688</u>	<u>1,206,802</u>	<u>46,835,490</u>	<u>47,536,545</u>
At 31 March 2016	<u>46,253,484</u>	<u>1,283,061</u>	<u>47,536,545</u>	

Development administration costs capitalised amounted to £nil (2016 - £nil) for which Housing Association Grants amounting to £nil (2016 - £nil) were received in the year.

Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2016 - £nil).

Works expenditure on Housing Properties

	2017 £	2016 £
Capitalised	705,930	483,922
Expensed	47,026	25,868
Total	<u>752,956</u>	<u>509,790</u>
Capitalised works are classified as follows;		
Replacements	705,930	483,922
Improvements	-	-
Total	<u>705,930</u>	<u>483,922</u>

All land and buildings are wholly owned by Horizon Housing Association Limited.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

4. Non-Current Assets (continued)

4b. Other Tangible Assets

	Heritable office property £	Furniture and equipment £	Motor vehicles £	2017 Total £	2016 Total £
Cost					
At 1 April 2016	726,681	151,708	157,567	1,035,956	955,181
Additions during year	(3,383)	2,784	66,638	66,039	137,542
Disposals	-	-	(28,275)	(28,275)	(56,767)
At 31 March 2017	723,298	154,492	195,930	1,073,720	1,035,956
Depreciation					
At 1 April 2016	135,578	112,667	54,642	302,887	305,537
Provided during year	21,184	10,003	35,773	66,960	54,117
Disposals during year	-	-	(28,275)	(28,275)	(56,767)
At 31 March 2017	156,762	122,670	62,140	341,572	302,887
Net book value					
At 31 March 2017	566,536	31,822	133,790	732,148	733,069
At 31 March 2016	591,103	39,041	102,925	733,069	

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

5. Debtors	2017	2016
	£	£
Rent arrears	147,420	138,940
Less: Provision for bad debts	(90,034)	(77,599)
Net rent arrears	57,386	61,341
Grants and mortgage advances receivable	79,872	42,375
Sundry debtors and prepayments	137,386	23,285
Amounts due from group companies	-	7,224
	<u>274,644</u>	<u>134,225</u>
6. Creditors: amounts falling due within one year	2017	2016
	£	£
Rents in advance	134,840	118,547
Capital creditors	56,495	42,632
Sundry creditors and accruals	390,590	404,696
Amount due to parent	296,590	961,507
Amount due to group companies	213,162	39,607
Current instalments due on loans	445,401	424,326
	<u>1,537,078</u>	<u>1,991,315</u>
7. Creditors: amounts falling due after more than one year	2017	2016
	£	£
Housing loans	<u>10,747,412</u>	<u>11,154,860</u>

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

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

8. Loans	2017	2016
	£	£
i) <i>Loans other than instalment loans</i>		
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	50,000
This loan is payable on demand and no interest is payable.		
ii) <i>Loans repayable by instalments</i>		
Loans advanced by Private Lenders	11,142,811	11,529,184
The Nationwide Building Society holds a standard security on 463 of Horizon Housing Association's properties. 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 0.64% and 5.55% (2016 – 0.5% and 5.55%)		
	11,192,813	11,579,186

Analysis of maturity of debt

Amounts repayable:	2017	2016
	£	£
Due within one year:	445,401	424,326
Due within 1-2 years	405,212	384,290
Due within 2-5 years	1,278,172	1,216,537
Due after 5 years	9,064,028	9,554,033
	11,192,813	11,579,186

9. Deferred Income	2017	2016
	£	£
<i>Social housing grants</i>		
Balance as at 1 April 2016	33,347,107	34,096,827
Additions in the year	-	-
Released / Repaid as a result of property disposal	(49,950)	-
Amortisation in the year	(748,599)	(749,720)
	32,548,558	33,347,107

The social housing grants are only repayable when the properties are sold. There are no amounts due within 5 years.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

10. Provision for liabilities	2017	2016
	£	£
<i>Provision for pension liabilities</i>		
Balance as at 1 April 2016	1,876,006	1,995,249
Provision released to the statement of comprehensive income	(1,876,006)	
Unwinding of the discount factor (interest expense)	-	42,000
Deficit contribution paid	-	(154,243)
Remeasurements - impact of any change in assumptions	-	(7,000)
	<hr/>	<hr/>
Balance as at 31 March 2017	-	1,876,006
<i>Provision for other liabilities</i>		
Balance as at 1 April 2016	-	429,000
Provision utilised	-	(70,000)
Provision released to the statement of comprehensive income	-	(359,000)
	<hr/>	<hr/>
Balance as at 31 March 2017	-	-
	<hr/>	<hr/>
Total	-	1,876,006

Provision for pension liabilities

The pension provision relates to the Horizon's share of past service deficit liabilities within the Scottish Housing Association Pension Scheme (SHAPS), which is a multi employer scheme. In 2016, insufficient information was available to account for the liability as a defined benefit scheme, and therefore the liabilities were calculated as a defined contribution scheme, in accordance with FRS102 paragraph 28.13A.

In 2017, Horizon engaged a firm of professional actuaries to establish whether it would be possible to account for Horizon's share of the SHAPS liabilities as a defined benefit scheme. The actuary has developed a methodology to calculate Horizon's share of the scheme's assets and liabilities, based on information provided by the SHAPS administrator at scheme level and the deficit contributions payable by Horizon. As a result, it is now possible to account for Horizon's liabilities as a defined contribution scheme at 31 March 2017.

This change in accounting estimate does not result in a prior year adjustment, however the provision for pension liabilities of £1,876,006 at 31 March 2016 has been released to the statement of comprehensive income. A new pension liability, amounting to £1,162,130, has been established in 2017 and is disclosed in detail at note 14b.

11. Share capital	2017	2016
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2016	63	63
Issued during the year	2	-
	<hr/>	<hr/>
At 31 March 2017	65	63

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

12. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £673,951 (2016 - £nil).

13. Employees

	2017 £	2016 £
Staff costs during year:		
Wages and salaries	1,036,146	1,130,566
Social security costs	102,971	104,605
Other pension costs	92,322	95,356
	<u>1,231,439</u>	<u>1,330,527</u>
	2017 No.	2016 No.
Average Full Time Equivalent number of employees during the year was	<u>33</u>	<u>37</u>
Average total number of employees during the year was	<u>36</u>	<u>40</u>

The key management personnel are defined as the Managing Director and any other person reporting directly to the Managing Director, which in 2016 and 2017 was the Operations Director. There were two (2016 - one) members of key management personnel whose total emoluments were £60,000 or more, excluding pension contributions, during the year. The Managing Director is the equivalent of the Chief Executive.

Number of key management personnel during the year whose total emoluments (including pension contributions) were:

	2017	2016
£60,000 - £69,999	1	1
£70,000 - £79,999	1	1
	<u>2</u>	<u>1</u>

Emoluments payable to the Managing Director :

	£	£
Emoluments excluding pension contributions	63,038	62,714
Employer's pension contributions	7,565	7,490
	<u>70,603</u>	<u>70,204</u>

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

The key management personnel 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.

	£	£
Total expenses reimbursed insofar as not chargeable to UK Income Tax		
Full time Directors	<u>1,104</u>	<u>2,169</u>
Board of Management	<u>1,176</u>	<u>1,299</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

14. Pensions

14a. Defined Contribution Scheme

Horizon Housing Association Limited offers all staff membership to the SHAPS Defined Contribution scheme, with employer contribution rates of 6%, 9% or 12% of pensionable salaries for employees who joined the scheme before 1 December 2013, and of 6%, 8% or 9% of pensionable salaries for employees who joined the scheme after 1 December 2013.

As at the balance sheet date, there were 31 active members (2016: 32) of the Defined Contribution Scheme employed by Horizon Housing Association Limited.

14b. Defined Benefit Scheme

Horizon Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'), a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

Horizon Housing Association Limited closed this scheme to all staff in September 2013 and all employees were transferred to the Defined Contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

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

Under UK pensions legislation, Horizon is responsible for funding the Scheme benefits and for paying contributions to make up any shortfall between the assets and the liabilities of the Scheme. The Scheme's liabilities are assessed at least every three years by the Scheme's actuary. It is Horizon's funding policy to annually contribute an amount agreed between Horizon and the Trustees of the Scheme in accordance with UK legislative requirements if a funding deficit exists. The amount of contributions required depends on the assumptions used by the actuary and can therefore be volatile between actuarial valuations.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

14b. Defined Benefit Scheme (continued)

This volatility of contribution amounts can be to the detriment of the Association's cashflows and impacts on the statement of comprehensive income. The volatility of the Scheme's liabilities against the assets held impacts on the Association's statement of financial position.

The last formal actuarial valuation of the SHAPS scheme was as at 30 September 2015.

The Scheme is a funded defined benefit arrangement. All monetary figures are shown in £'000s sterling.

No assets included in the fair value of plan assets are the entity's own financial instruments or are properties occupied or used by the entity.

Principal Actuarial Assumptions

	2017	2016
Discount Rate	2.80%	3.80%
Salary Increases	3.30%	3.10%
Inflation (RPI)	3.30%	3.10%
Inflation (CPI)	2.30%	2.10%
Male Mortality	90% S1PMA; CMI 2011 F1.5%; Birth Year	90% S1PMA; CMI 2011 F1.5%; Birth Year
Female Mortality	90% S1PFA; CMI 2011 F1.25%; Birth Year	90% S1PFA; CMI 2011 F1.25%; Birth Year

Amounts Recognised in Statement of Financial Position

	2017	2016
	£'000	£'000
Fair value of scheme assets	4,915	3,768
Present value of benefit obligation	(6,077)	(4,639)
Net pension liability	<u>(1,162)</u>	<u>(871)</u>

Amounts Recognised in Statement of Comprehensive Income

	2017	2016
	£'000	£'000
Current service costs	-	-
Administration costs	5	5
Net interest on net defined benefit obligation	30	38
Total pension cost recognised in Statement of Comprehensive Income	<u>35</u>	<u>43</u>

Changes in Defined Benefit Obligation

	2017	2016
	£'000	£'000
Opening Defined Benefit Obligation	4,639	4,812
Interest Expense	173	161
Actuarial (Gains)/Losses	1,417	(201)
Benefits Paid	(152)	(133)
Closing Defined Benefit Obligation	<u>6,077</u>	<u>4,639</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

14b. Defined Benefit Scheme (continued)

Changes in Fair Value of Scheme Assets	2017	2016
	£'000	£'000
Opening Fair Value of Scheme Assets	3,768	3,605
Actual Return on Scheme Assets less Interest Income	997	18
Interest income	143	123
Employer Contributions	164	160
Benefits Paid	(152)	(133)
Administration costs	(5)	(5)
Closing Fair Value of Scheme Assets	<u>4,915</u>	<u>3,768</u>

Other Comprehensive Income	2017	2016
	£'000	£'000
Actual return on plan assets less interest income on plan assets	997	18
Actuarial gains / (losses)	(1,417)	201
Remeasurement gains and losses recognised in other comprehensive income	<u>(420)</u>	<u>219</u>

The major categories of Scheme assets as a percentage of total plan assets are as follows

	2017	2016
	£'000	£'000
Equities	35%	37%
Property	4%	5%
Bonds	35%	32%
Alternatives	24%	24%
Cash and other	2%	2%
Total	<u>100%</u>	<u>100%</u>

15. Auditor's Remuneration	2017	2016
	£	£
Audit of these financial statements	<u>6,528</u>	<u>6,336</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	2017 £	2016 £
Surplus for the year	712,797	787,697
Depreciation of tangible fixed assets	1,359,849	1,321,737
(Increase)/decrease in debtors	(140,419)	356,884
(Decrease)/increase in creditors	(476,904)	245,665
Decrease/(increase) in stock	1,017	(513)
Carrying amount of tangible fixed asset disposals	181,689	78,244
Proceeds from the sale of fixed assets	(3,800)	(5,800)
Government grants utilised in the year	(748,599)	(749,720)
Interest payable	322,641	345,080
Interest received	(1,161)	(1,468)
Pension costs less contributions payable	(128,870)	(119,243)
Movement in provision for liabilities	-	(429,000)
Net cash inflow from operating activities	1,078,240	1,829,563

17. Reconciliation of net cash flow to movement in debt

	2017 £	2016 £
(Decrease)/increase in cash in year	(513,731)	459,345
Loan repaid	386,373	372,895
Change in net debt	(127,358)	832,240
Net debt at 1 April 2016	(9,412,857)	(10,245,097)
Net debt at 31 March 2017	(9,540,215)	(9,412,857)

18. Analysis of changes in financing during the year

	As at 1 April 2016 £	Cashflows £	As at 31 March 2017 £
Cash at bank and in hand	2,166,329	(513,731)	1,652,598
Debt due within one year	(424,326)	(21,075)	(445,401)
Debt due outwith one year	(11,154,860)	407,448	(10,747,412)
	(9,412,857)	(127,358)	(9,540,215)

19. Housing units

	2017	2016
General needs	785	784
Shared ownership	29	31
Shared bedspaces	44	44
Total	858	859

In addition, Horizon manages 8 units on behalf of Link Housing Association (2016: 6), for which Link Housing Association pays a management fee.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

20. Related Party Transactions

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 102.

The related party relationships of the members of the Board of Management is summarised as set out below.

Board members cannot use their position to their advantage and any transactions between the Association and any entity with which a governing body member has a connection is made at arm's length and is under normal commercial terms.

Two Board members are tenants of the association and they have tenancies that are on the association's normal tenancy terms and they cannot use their positions to their advantage.

Transactions with Board members (and their close family) were as follows:

Rent received from tenants on the Board	£ 8,171
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At the year end there were no rent arrears owed by the tenant members of the Board.

As a wholly owned subsidiary of Link Group Limited the Association is exempt from the requirements of FRS 102 to disclose details of transactions with other members of the group headed by Link Group Limited.

21. 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.

Link Group Limited's accounts can be obtained from

Registered Office	Web Site	E-Mail
2C New Mart Road Edinburgh EH14 1RL	www.linkhousing.org.uk	linkhousing@linkhousing.org.uk

22. Material Estimates and Judgements

Pension Scheme Liabilities

The SHAPS pension scheme provision is valued in these financial statements by an independent actuary. The assumptions used are reviewed by the Board of Management and considered appropriate. Assumptions include estimates of mortality, salary inflation, inflation and discount rates. There are also judgements in respect of the allocation of assets and liabilities in SHAPS as a multi employer pension scheme.

Debtors

Debtor recoverability is considered throughout the year and appropriate provisions set aside in the financial statements where required.