



HORIZON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For The Year Ended 31 March 2019

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 2019

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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 McDougall (Vice Chairperson)
Mr R B Hartness
Mr C Baird
Mr G Carson
Mr S Dow
Ms S Fitton
Ms J Flanagan
Ms B Graham
Ms J Hamilton
Ms J Pritchard
Mr T S Rae
Mr W Taylor
Mr J Watt (Appointed April 2018)

Executive Officers

Ms J Fitzpatrick – Managing Director & Secretary (left 4 June 2018)
Ms I Gray – Interim Managing Director & Secretary

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

Scott-Moncrieff
25 Bothwell Street
Glasgow
G2 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 2019.

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 reviewed Horizon's vision, purpose and strategic approach at a strategy day in November 2018, confirming that these continue to be important and relevant. 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.
- 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 total comprehensive income for the year of £578,137 (2018, £817,466).

Turnover remained similar to last year at £5.3m (2018, £5.2m) and Operating Costs were unchanged at £4.3m (2018, £4.3m). The income from Social Letting Activities increased by 3.9% and this principally reflects rent increases applied in April 2018, a full year of rent from the 12 units completed in 2017 at Stoneyburn and increased levels of funding for adaptations. Turnover from Other Activities decreased by 12.3% in total. This decrease principally reflects a reduction in income in respect of care and repair services provided by Horizon, principally the West Lothian Care and Repair service, which Horizon operated until November 2018, when West Lothian Council ended funding for the service. In addition, proceeds from property sales were reduced by £0.05m as there were no shared ownership property sales in the year, compared with one in 2018.

Horizon's total comprehensive income for the year decreased by £0.2m in comparison to 2018, mainly due to the remeasurement of pension liabilities. Although, the value of the pension scheme liability was marginally reduced at 31 March 2019, the benefit obligation (liability) has increased by £0.4m which was only partially offset by an increase of £0.2m in scheme assets.

The results for 2019 were in line with the Board's expectations and within Horizon's budget and business plan for 2018/19 and beyond.

Properties in Management

The number of properties managed by Horizon was 879 at 31 March 2019. This includes 11 properties for shared accommodation for people with support needs, 29 shared ownership properties, 34 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 2019, 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 individuals' 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 decrease in current tenant arrears from 3.5% to 3.4% which is positive in the context of increasing numbers of tenants receiving universal credit and the level of universal credit connected arrears increasing. The increase in the overall gross rent arrears is attributed to former tenant arrears, in particular two cases totaling £11,000 which we are still pursuing the recovery of these debts and will seek a write off if unsuccessful.

During the year we continued to raise awareness was raised of Horizon's tenancy sustainment service and once again supported almost 20% of our tenants with Housing Benefit/Universal Credit and Welfare Benefit claims and appeals as well as support in accessing other charitable or welfare funds, energy advice budgeting and digital support. The service worked with 293 cases and additional income or grants totaling £206,955 was gained for or on behalf of tenants. Tenancy sustainment for the year was 96%.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

OPERATING AND FINANCIAL REVIEW

1. Housing Services (continued)

47 properties were re-let – a turnover of 5.9% of the stock a decrease from 6.4% in 2017/18. Rent loss due to voids remains stable at 0.33%, compared to 0.30% in 2017/18. We have a new group wide lettings policy in place and we continue to use the choice-based lettings register, Homehunt which is 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.

2. Asset Management

A comprehensive Asset Performance Review was completed in June 2017 to give a sound basis for developing the Asset Management Strategy, a review of which will be completed in July 2019 allowing for direct comparison between 2017 and 2019. In-house stock condition surveys covering 64% of Horizon stock have now been completed, which have been enhanced by the use of bespoke software and more data collection relating to home health checks and tenant needs, has resulted in a five year and thirty year investment plan. With the help of external consultants, we confirmed that our approach was, robust and this has also informed the latest 30 Year Financial Plan.

Horizon invested £635,680 in upgrading and improving 160 tenants' homes with new kitchens, bathrooms, boilers in the financial year, and with 99% tenant satisfaction levels. Horizon uses Link Group's in-house trades subsidiary, Link Property, to carry out the majority of its repairs. A mini tenant survey on repairs satisfaction in 2017 indicated that the implementation of the revised repairs and maintenance policy and its associated service improvements, tenant satisfaction with the service had increased to 91%. However, when a full satisfaction survey was completed in 2018, the satisfaction level had dropped slightly to 86%. An action plan, approved by tenant scrutiny panel, the Resident Improvement Group, has been put into place to improve the repairs service and increase tenant satisfaction.

Horizon completed 47 adaptations for Horizon tenants in the year with grant assistance from Scottish Government with additional adaptations carried out 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. After a review of the Estates Team in 2018, there has been a major restructuring of the Estates Team to provide tenants with disabilities or who are elderly a free of charge grass cutting service as well as a 'Good Neighbour' service where the estates caretakers will help tenants out with small jobs like lifting heavy items or changing a lightbulb.

3. Tenant Involvement

Horizon's tenant scrutiny panel the "Resident Improvement Group" (RIG) established itself in 2017/18 completing its first scrutiny project, on repairs and maintenance, in June 2017. It was also involved in the production of the Annual Report to Tenants and on a second scrutiny project on our Lettings Standard, which was presented to the Board in June 2018. Further scrutiny work included the development of the Tenant Participation Strategy and Action plan in January 2019 which is due to be presented to the Board later this year as well as shaping the Tenant Satisfaction Survey Action plan covering many aspects of our asset and housing management service.

A new tenants' handbook was developed in consultation with tenants and was published in the summer of 2018. Through social media accounts we have raised our profile and communication routes and continue to review the content our website which was renewed in 2017.

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

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

OPERATING AND FINANCIAL REVIEW

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 3,255 jobs completed and all within target timescales.

In West Lothian the contract was due to end 31 November 2018 and in the last quarter, there had been a decrease in most areas of work as the service moved towards the end of the contract. West Lothian Council stopped referring clients for adaptations in August, so the focus was on finishing work that had already started. The service carried out 156 minor adaptations, 72 major adaptations and project managed a further 5 privately funded works. In addition, it carried out 443 jobs for small repairs/ handyperson tasks in the in 5 months up to when the council stopped the referrals.

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. We currently have 10 active volunteers working in this service and one of our volunteers has completed his 300th job for the North Lanarkshire Care and Repair service. Considerable efforts have been put into attracting more volunteers and the numbers of volunteers had increased, however more is being done to promote the service to other agencies in North Lanarkshire to allow us to achieve our target of 12 volunteers.

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.

Horizon has been working with a care provider, Sense Scotland, on a reprovisioning project with the aim of enabling disabled people with complex needs to access a home of their own and an improved quality of life.

Horizon was awarded a £92,500 research grant by the Drill UK Grant Fund in the performance of Disability Research into Independent Living and Learning. This funding was used for "Match Me", an 18 month research project into allocation of adapted social housing. The results from the scoping study were publicised within the housing sector and informed the Equalities and Human Rights Commission (EHRC) inquiry into the impact of accessible homes on independent living of disabled people.

Our Mind the Step 2012 research was updated and extended to become a major new research report, "Still minding the step?". The report is an estimation of housing need among wheelchair users in Scotland.

Horizon continues to work with partners, including Link Group and a range of Disabled Persons Organisations, to influence the supply of accessible homes and services for disabled and older people with participation in Scottish Government, and disability movement monitoring, advisory and working groups and contribution to the EHRC inquiry and a number of related pieces of work.

6. Future Developments

Horizon's Board has clear priorities for 2019/20, 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 West Lothian Development Alliance is part of the Homes for West Lothian Partnership which has previously submitted an indicative programme for the Strategic Housing Investment Plan (SHIP) covering the period 1 April 2012 to 31 March 2022.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

6. Future Developments (continued)

To date the Horizon Access Ownership programme has resulted in the acquisition of nine properties, 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 an increased level of acquisition of 15 - 20 properties per annum. This continues to be an area of focus for Horizon in 2019/20.

7. Business Outlook

Horizon's business plan incorporates a 30 year financial projection which demonstrates 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.

To support the ongoing development and planned maintenance programme over the next five years Horizon anticipates it requires £1.75m in additional borrowing to finance the capital investment. Included in the capital investment is £349k specifically for further acquisition of access ownership properties. The increased level of acquisition of Access Ownership properties referred to in Future Developments will require funding in addition to existing borrowing plans. This is an area which Horizon will continue to explore with Link Group.

A number of significant events have or will occur in the coming year. Horizon's Managing Director Julia Fitzpatrick left the organisation in June 2018, an interim Managing Director is in post until the end of December 2019 to enable recruitment of a new Managing Director. The West Lothian Care and Repair contract ended 30 November 2018. The current North Lanarkshire Care and Repair contract has been extended until the end of March 2020, after which is due for tender.

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 2018/19, Horizon carried out its annual governance appraisal process using the previously developed framework for individual Board member appraisal, including the Chairperson, and collective Board appraisal.

1 new member joined the Board in the year in April 2018.

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.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

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 2019, £7.2m (69%) 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.

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 'Housing 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.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives. A Board and Employee Negotiating Committee for Horizon (BENCH) meets as required to negotiate on salary cost of living increase and also review a range of HR policies. A Health and Safety Staff Group meets every 6 weeks to review all health and safety matters and all of the representatives recently attained their IOSH Working Safely Certification. 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. A key objective of our business plan was to carry out a review of our rent structure and work to reshape our rent policy started in November 2018, with consultation taking place with tenants during the December tenant consultation event and a postal survey in March. The aim of the review is to ensure that the rent structure is clear, more transparent, fair and affordable to all tenants whilst being easy to administer. The review is due to be completed in the summer with the outcome being reported to Board in August and implemented from April 2020.

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 36 staff (34 FTE) of which one considers them self to be disabled. In addition, Horizon manages a further 5 staff seconded from Link Group to provide the North Lanarkshire Care & Repair Service.

Home Ownership

Horizon sold no shared ownership property on the open market in the year (2018 – 1). 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 2018/19 to invest in tailored shared ownership solutions for disabled people and their families. There were no acquisitions under the programme in the year 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: 23 July 2019

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 2019. 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: 23 July 2019

Registered Office:
Leving House,
Fairbairn Place,
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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, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure 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
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account 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 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). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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: 23 July 2019

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

INDEPENDENT AUDITOR'S REPORT TO HORIZON HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Horizon Housing Association Limited ("the association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of the association's affairs as at 31 March 2019 and of the income and expenditure of the association for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.
- 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) Regulation 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's Board have prepared the financial statements on the going concern basis as it does not intend to liquidate the association or to cease its operations, and as it has concluded that the association's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the association's Board's conclusions, we considered the inherent risks to the association's business model, including the impact of Brexit, and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation.

Other information

The association's Board is responsible for the other information, which comprises the Report of Board of Management, Statement of Board Responsibilities and Board of Management Statement on Internal Financial Controls. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- 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
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Matters on which we are required to report by exception

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 its 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.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 12, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and, in respect of the reporting on corporate governance, on terms that have been agreed. 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, in respect of the reporting on corporate governance, those matters we have agreed to state to it in our 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 for our audit work, for this report, or for the opinions we have formed.

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

1 August 2019

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	2	5,275,379	5,157,521
Operating expenditure	2	<u>(4,321,759)</u>	<u>(4,316,197)</u>
Operating surplus		953,620	841,324
(Loss) on disposal of other fixed assets		-	(1,787)
Interest receivable		2,167	738
Interest and financing costs		(233,650)	(275,809)
Other finance charges		(22,000)	(30,000)
		<u>700,137</u>	<u>534,466</u>
Surplus on ordinary activities before taxation		700,137	534,466
Taxation		-	-
Surplus for the year		700,137	534,466
Release of provision for pension liabilities		-	-
Remeasurement of the defined benefit pension liability		(122,000)	283,000
Total comprehensive income for the year		<u>578,137</u>	<u>817,466</u>

All results relate wholly to continuing activities.

STATEMENT OF CHANGES IN RESERVES

	Share Capital £	Restricted Reserve £	Revenue Reserve £	Total £
Balance as at 1 April 2018	68	10,209	4,314,596	4,324,873
Surplus from Statement of Comprehensive Income		(10,209)	710,346	700,137
Remeasurement of the defined benefit pension liability	-	-	(122,000)	(122,000)
Balance as at 31 March 2019	<u>68</u>	<u>-</u>	<u>4,902,942</u>	<u>4,903,010</u>

The notes on pages 18 to 34 form part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
Non-Current Assets					
Tangible fixed assets					
Housing properties	4a		47,062,812		47,766,627
Other fixed assets	4b		615,965		661,334
			<u>47,678,777</u>		<u>48,427,961</u>
Current Assets					
Stock		6,505		6,439	
Trade and other debtors	5	165,587		102,054	
Cash and cash equivalents		<u>1,065,237</u>		<u>1,555,170</u>	
			1,237,329		1,663,663
Creditors: amounts falling due within one year	6	<u>(1,344,652)</u>		<u>(1,871,465)</u>	
Net current (liabilities)			<u>(107,323)</u>		<u>(207,802)</u>
Total assets less current liabilities			47,571,454		48,220,159
Creditors: amounts falling due after more than one year	7		(9,873,671)		(10,309,643)
Deferred income	9		(32,072,964)		(32,839,725)
Pension liability	14b		(721,809)		(745,918)
Net assets			<u>4,903,010</u>		<u>4,324,873</u>
Capital and reserves					
Share capital	10		68		68
Revenue reserve including pension reserve			4,902,942		4,314,596
Restricted reserve	11		-		10,209
			<u>4,903,010</u>		<u>4,324,873</u>

Approved and authorised for issue by the Board of Management on 23 July 2019 and signed on its behalf by:

F R Wood, Chairperson

R McDougall, Vice Chairperson

I Gray, Secretary

The notes on pages 18 to 34 form an integral part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
Net cash inflow from operating activities	16		1,031,634		1,713,314
Investing activities					
Acquisition and construction of properties		(843,393)		(2,187,067)	
Purchase of other fixed assets		(18,973)		(3,278)	
Proceeds on disposal of fixed assets		-		8,613	
Grants received		-		1,074,769	
Grants repaid		-		(17,488)	
Interest received on cash and cash equivalents		2,167		738	
Net cash outflow from investing activities			(860,199)		(1,123,713)
Financing activities					
Interest paid on loans		(233,650)		(275,809)	
Issue of shares		-		4	
Loan principal repayments		(427,718)		(411,224)	
Net cash outflow from financing activities			(661,368)		(687,029)
(Decrease) in cash			(489,933)		(97,428)
Opening cash and cash equivalents			1,555,170		1,652,598
Closing cash and cash equivalents			1,065,237		1,555,170

The notes on pages 18 to 34 form an integral part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

Notwithstanding net current liabilities of £107,323 as at 31 March 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's ultimate parent company, Link Group Limited not seeking repayment of the amounts currently due to the group, which at 31 March 2019 amounted to £239,471. Link Group Limited has indicated that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

1. Accounting Policies (continued)

(g) Grants (continued)

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.

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. 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 5 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 2019 (continued)

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover	Operating Costs	2019 Operating Surplus/ (Loss)	2018 Operating Surplus
	£	£	£	£
Affordable letting activities (note 3a)	4,795,869	3,809,025	986,844	854,699
Unrestricted Other activities (note 3b)	433,404	456,419	(23,015)	(23,584)
Restricted Other activities (note 3b)	<u>46,106</u>	<u>56,315</u>	<u>(10,209)</u>	<u>10,209</u>
2019 Total	<u>5,275,379</u>	<u>4,321,759</u>	<u>953,620</u>	<u>841,324</u>
2018 Total	<u>5,157,521</u>	<u>4,316,197</u>	<u>841,324</u>	

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	Total 2019 £	Total 2018 £
Revenue from lettings					
Rent receivable (net of service charges)	3,438,654	76,729	70,683	3,586,066	3,457,303
Service charges Receivable	235,795	-	17,607	253,402	242,916
Gross income from rents and service charges	3,674,449	76,729	88,290	3,839,468	3,700,219
Less: Voids	(11,833)	-	-	(11,833)	(10,481)
Net income from rents and service charges	3,662,616	76,729	88,290	3,827,635	3,689,738
Revenue Grants					
Grants released from deferred income	729,423	25,326	12,012	766,761	766,114
Revenue grants from Scottish Ministers	196,016	-	-	196,016	155,147
Other revenue grants	5,457	-	-	5,457	5,606
Total turnover from affordable letting activities	4,593,512	102,055	100,302	4,795,869	4,616,605
Expenditure on affordable letting activities					
Management and maintenance administration costs	1,402,296	9,980	10,071	1,422,347	1,313,676
Service costs	236,917	472	8,200	245,589	237,791
Planned and cyclical maintenance including major repair costs	219,300	462	-	219,762	290,872
Reactive Maintenance costs	512,164	6,798	-	518,962	517,824
Bad Debts – rents and service charges	16,260	-	-	16,260	10,227
Depreciation of affordable let properties	1,314,081	41,786	14,275	1,370,142	1,341,013
Loss on disposal of components	15,963	-	-	15,963	50,503
Operating costs for affordable letting activities	3,716,981	59,498	32,546	3,809,025	3,761,906
2019 Operating surplus on affordable letting activities	876,531	42,557	67,756	986,844	854,699
2018 Operating surplus on affordable letting activities	750,216	34,473	70,010	854,699	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2018 - £nil). The cost of property components capitalised in the year was £618,459 (2018 - £571,118).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (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) 2019 £	Operating surplus/ (deficit) 2018 £
Unrestricted activities							
Care and repair	152,733	253,538	406,271	-	376,453	29,818	18,680
Factoring	-	12,203	12,203	-	14,407	(2,204)	(112)
Contracted out services for registered social landlords	-	4,473	4,473	-	4,473	-	(520)
Contracted out services for other organisations	-	845	845	-	-	845	-
Gain on disposal of properties	-	-	-	-	-	-	10,525
Other activities - new initiatives	-	-	-	-	61,086	(61,086)	(57,881)
Other activities	-	9,612	9,612	-	-	9,612	5,724
	152,733	280,671	433,404	-	456,419	(23,015)	(23,584)
Restricted activity							
Drill UK Grant Fund	46,106	-	46,106	-	56,315	(10,209)	10,209
2019 Total	198,839	280,671	479,510	-	512,734	(33,224)	(13,375)
2018 Total	216,027	324,889	540,916	-	554,291	(13,375)	

The Association did not receive any income or incur any expenditure in respect of 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 (2018 - £nil).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

4. Non-Current Assets

4a. Housing Properties

	Housing Properties held for Letting £	Completed Shared Ownership Housing Property £	2019 Housing properties Total £	2018 Housing properties Total £
Cost				
At 1 April 2018	64,528,819	1,409,568	65,938,387	63,855,789
Additions during year	618,459	63,831	682,290	2,353,268
Disposals	(178,031)	-	(178,031)	(270,670)
At 31 March 2019	<u>64,969,247</u>	<u>1,473,399</u>	<u>66,442,646</u>	<u>65,938,387</u>
Depreciation				
At 1 April 2018	17,914,885	256,875	18,171,760	17,020,299
Provided during year	1,345,584	24,558	1,370,142	1,341,013
Disposals during year	(162,068)	-	(162,068)	(189,552)
At 31 March 2019	<u>19,098,401</u>	<u>281,433</u>	<u>19,379,834</u>	<u>18,171,760</u>
Net book value				
At 31 March 2019	<u>45,870,846</u>	<u>1,191,966</u>	<u>47,062,812</u>	<u>47,766,627</u>
At 31 March 2018	<u>46,613,934</u>	<u>1,152,693</u>	<u>47,766,627</u>	

Development administration costs capitalised amounted to £nil (2018 - £nil) for which Housing Association Grants amounting to £nil (2018 - £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 (2018 - £nil).

Works expenditure on Housing Properties

	2019 £	2018 £
Capitalised	618,459	571,118
Expensed	25,385	39,408
Total	<u>643,844</u>	<u>610,526</u>
Capitalised works are classified as follows;		
Replacements	618,459	571,118
Total	<u>618,459</u>	<u>571,118</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 2019 (continued)

4. Non-Current Assets (continued)

4b. Other Tangible Assets

	Heritable office property £	Furniture and equipment £	Motor vehicles £	2019 Total £	2018 Total £
Cost					
At 1 April 2018	722,673	158,395	179,265	1,060,333	1,073,720
Additions during year	-	18,973	-	18,973	3,278
Disposals	-	-	-	-	(16,665)
At 31 March 2019	<u>722,673</u>	<u>177,368</u>	<u>179,265</u>	<u>1,079,306</u>	<u>1,060,333</u>
Depreciation					
At 1 April 2018	177,905	133,181	87,913	398,999	341,572
Provided during year	21,143	10,760	32,439	64,342	64,093
Disposals during year	-	-	-	-	(6,666)
At 31 March 2019	<u>199,048</u>	<u>143,941</u>	<u>120,352</u>	<u>463,341</u>	<u>398,999</u>
Net book value					
At 31 March 2019	<u>523,625</u>	<u>33,427</u>	<u>58,913</u>	<u>615,965</u>	<u>661,334</u>
At 31 March 2018	<u>544,768</u>	<u>25,214</u>	<u>91,352</u>	<u>661,334</u>	

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

5. Debtors	2019	2018
	£	£
Rent arrears	148,576	143,409
Less: Provision for bad debts	<u>(83,576)</u>	<u>(77,655)</u>
Net rent arrears	65,000	65,754
Grants and mortgage advances receivable	42,375	-
Sundry debtors and prepayments	<u>58,212</u>	<u>36,300</u>
	<u>165,587</u>	<u>102,054</u>
6. Creditors: amounts falling due within one year	2019	2018
	£	£
Rents in advance	152,819	133,426
Capital creditors	61,592	222,695
Sundry creditors and accruals	327,499	566,969
Amount due to parent	239,471	358,775
Amount due to group companies	83,071	117,654
Current instalments due on loans	<u>480,200</u>	<u>471,946</u>
	<u>1,344,652</u>	<u>1,871,465</u>
7. Creditors: amounts falling due after more than one year	2019	2018
	£	£
Housing loans	<u>9,873,671</u>	<u>10,309,643</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 2019 (continued)

8. Loans	2019 £	2018 £
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	50,000
This loan is payable on demand and no interest is payable.		
ii) Loans repayable by instalments		
Loans advanced by Private Lenders	10,303,869	10,731,587
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, which fall to be repaid within 30 years. The loans bear interest at rates between 0.97% and 4.56% (2018 – 0.79% and 4.56%)		
	10,353,871	10,781,589

Analysis of maturity of debt

Amounts repayable:	2019 £	2018 £
Due within one year:	480,200	471,946
Due within 1-2 years	439,054	430,573
Due within 2-5 years	1,372,761	1,345,872
Due after 5 years	8,061,856	8,533,198
	10,353,871	10,781,589

9. Deferred Income	2019 £	2018 £
Social housing grants		
Balance as at 1 April 2018	32,839,725	32,548,558
Additions in the year	-	1,074,769
Released / Repaid as a result of property disposal	-	(17,488)
Amortisation in the year	(766,761)	(766,114)
	32,072,964	32,839,725

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 2019 (continued)

10. Share capital	2019	2018
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2018	68	65
Issued during the year	-	4
Removed during the year	-	(1)
At 31 March 2019	<u>68</u>	<u>68</u>

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.

11. Analysis of Restricted Funds		Fund balance brought forward 1 April 2018	Income	Expenditure	Fund balance carried forward 31 March 2019
	Note	£	£	£	£
Drill UK Grant Fund	(a)	10,209	46,106	56,315	-
Total Restricted Funds		<u>10,209</u>	<u>46,106</u>	<u>56,315</u>	<u>-</u>

(a) The money in the Drill UK Grant Fund consists of funding for "Match Me", an 18 month research project into allocation of adapted social housing.

12. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2018 - £nil).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

13. Employees	2019	2018
	£	£
Staff costs during year:		
Wages and salaries	1,052,726	1,058,788
Social security costs	100,815	107,185
Other pension costs	90,245	88,085
	<u>1,243,786</u>	<u>1,254,058</u>
	2019	2018
	No.	No.
Average Full Time Equivalent number of employees during the year was	<u>35</u>	<u>34</u>
Average total number of employees during the year was	<u>37</u>	<u>37</u>

The key management personnel are defined as the Managing Director and any other person reporting directly to the Managing Director, which in 2018 and 2019 was the Operations Director. There was one (2018 - one) member 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:

	2019	2018
£60,000 - £69,999	1	1
£70,000 - £79,999	-	1
	<u>1</u>	<u>2</u>

Emoluments payable to the Managing Director:

	£	£
Emoluments excluding pension contributions	63,013	72,677
Employer's pension contributions	6,934	7,847
	<u>69,947</u>	<u>80,524</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>3,203</u>	<u>841</u>
Board of Management	<u>3,070</u>	<u>2,110</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (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 (2018: 31) 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 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, Horizon 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. For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

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 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.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

14b. Defined Benefit Scheme (continued)

Key Assumptions

	2019	2018
Discount Rate	2.55%	2.70%
Salary Increases	2.35%	2.20%
Inflation (RPI)	3.35%	3.20%
Inflation (CPI)	2.35%	2.20%
Allowance for cash commutation	75% of maximum allowance	75% of maximum allowance

Mortality Assumptions

Life Expectancy at the age of 65 (Years)

Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

Amounts Recognised in Statement of Financial Position

	2019	2018
	£'000	£'000
Fair value of scheme assets	5,561	5,101
Present value of benefit obligation	(6,283)	(5,847)
Net pension liability	<u>(722)</u>	<u>(746)</u>

Amounts Recognised in Statement of Comprehensive Income

	2019	2018
	£'000	£'000
Current service costs	-	-
Administration costs	5	5
Net interest on net defined benefit obligation	22	30
Total pension cost recognised in Statement of Comprehensive Income	<u>27</u>	<u>35</u>

Changes in Defined Benefit Obligation

	2019	2018
	£'000	£'000
Opening Defined Benefit Obligation	5,847	6,077
Interest Expense	167	168
Actuarial (Gains)/Losses	362	(231)
Benefits Paid	(93)	(167)
Closing Defined Benefit Obligation	<u>6,283</u>	<u>5,847</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

14b. Defined Benefit Scheme (continued)

	2019	2018
	£'000	£'000
Changes in Fair Value of Scheme Assets		
Opening Fair Value of Scheme Assets	5,101	4,915
Actual Return on Scheme Assets less Interest Income	240	52
Interest income	140	138
Employer Contributions	173	168
Benefits Paid	(93)	(167)
Administration costs	-	(5)
Closing Fair Value of Scheme Assets	<u>5,561</u>	<u>5,101</u>
Other Comprehensive Income	2019	2018
	£'000	£'000
Actual return on plan assets less interest income on plan assets	240	52
Actuarial gains / (losses)	(362)	231
Remeasurement gains and losses recognised in other comprehensive income	<u>(122)</u>	<u>283</u>

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

	2019	2018
	£,000	£,000
Global Equity	895	917
Absolute Return	471	606
Distressed Opportunity	95	23
Credit Relative Value	97	-
Alternative Risk Permia	311	193
Fund of Hedge Funds	15	146
Emerging Market Debt	178	174
Risk Sharing	161	47
Insurance-Linked Securities	144	140
Property	110	202
Infrastructure	233	93
Private Debt	72	47
Corporate Bond Fund	390	356
Long Lease Property	67	-
Secured Income	194	187
Over 15 Year Gilts	143	165
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,979	1795
Net Current Assets	6	10
Total Assets	<u>5,561</u>	<u>5,101</u>

15. Auditor's Remuneration

	2019	2018
	£	£
Audit of these financial statements	<u>7,231</u>	<u>7,020</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	2019 £	2018 £
Surplus for the year	700,137	534,466
Depreciation of tangible fixed assets	1,434,484	1,405,106
(Increase)/Decrease in debtors	(63,533)	172,590
(Decrease)/Increase in creditors	(373,964)	141,642
(Increase)/Decrease in stock	(66)	1,263
Carrying amount of tangible fixed asset disposals	15,963	91,117
Proceeds from the sale of fixed assets	-	(8,613)
Government grants utilised in the year	(766,761)	(766,114)
Interest payable	233,650	275,809
Interest received	(2,167)	(738)
Cancellation of share	-	(1)
Pension costs less contributions payable	(146,109)	(133,213)
Net cash inflow from operating activities	<u>1,031,634</u>	<u>1,713,314</u>

17. Reconciliation of net cash flow to movement in debt

	2019 £	2018 £
(Decrease) in cash in year	(489,933)	(97,428)
Loan repaid	427,718	411,224
Change in net debt	(62,215)	313,796
Net debt at 1 April 2018	<u>(9,226,419)</u>	<u>(9,540,215)</u>
Net debt at 31 March 2019	<u>(9,288,634)</u>	<u>(9,226,419)</u>

18. Analysis of changes in financing during the year

	As at 1 April 2018 £	Cashflows £	As at 31 March 2019 £
Cash at bank and in hand	1,555,170	(489,934)	1,065,236
Debt due within one year	(471,946)	(8,254)	(480,200)
Debt due outwith one year	(10,309,643)	435,972	(9,873,671)
	<u>(9,226,419)</u>	<u>(62,216)</u>	<u>(9,288,635)</u>

19. Housing units

	2019	2018
General needs *	797	797
Shared ownership	29	28
Shared bedspaces	44	44
Total	<u>870</u>	<u>869</u>

* Included in general needs are 2 units which are currently in use as offices.
In addition, Horizon manages 8 units on behalf of Link Housing Association (2018: 8), for which Link Housing Association pays a management fee.

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (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	8,559

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.