



HORIZON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For The Year Ended 31 March 2016

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 2016

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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
Mr R McDougal
Mr D A McPhail
Ms J Pritchard
Mr T S Rae
Mr W Taylor
Ms D Theakstone (resigned, September 2015)

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

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

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 2016.

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 December 2015. Our 7 strategic objectives are set out below, and support the four overarching Link Group aims.

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

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

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

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

We share the Link values:

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

Horizon's strategic objectives are:

- Continue to improve the quality and accessibility of our services, meeting people's needs at different stages of their lives.
- Target investment effectively to maintain attractive, well designed homes and places where people want to live.
- Extend housing and tenure choice for disabled and older people, particularly wheelchair users, through adaptations, acquisitions and new development by Link and Horizon.
- Develop and deliver person centred innovative approaches to enabling older and disabled people to live well at home and in their communities.
- Support and influence partners to increase the supply and design quality of accessible homes and associated supports.
- More clearly demonstrate value for money and social impact to our range of stakeholders.
- Develop the potential and skills of staff, Board and tenants for organisational, community and personal development.

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 reflect the introduction of the Statement of Recommended Practice (SORP) for Social Housing Providers 2014 and the Financial Reporting Standard (FRS 102) for the first time. The comparative figures for 2015 have been restated accordingly and further detail about these adjustments is provided at note 22.

Horizon Housing Association Limited ("Horizon" or the "Association") achieved a surplus for the year of £787,697 (2015 - £412,142).

Turnover increased by approximately 1.7% to £4.83M (2015 restated - £4.75M) and Operating Costs decreased by 6.5% to £3.67M (2015 - £3.92M). The income from Social Letting Activities increased by 2.1% and this principally reflects rent increases applied in April 2015, and increased levels of funding for adaptations. The Turnover from Other Activities reduced by 1.9% in total, reflecting reduced income from Care and Repair Services and proceeds of property sales, partially offset by additional income for agency services.

Horizon's surplus for the year increased by £375,549 compared with 2015, reflecting the fact that in 2016, a provision for liabilities was partially released, resulting in a credit in the year of £359,000.

The results for 2016 were in line with the Board's expectations and within Horizon's budget and business plan for 2015/16 and beyond.

Properties in Management

The number of properties managed by Horizon was 861 at 31 March 2016. This includes 14 units for shared accommodation for people with support needs, 32 shared ownership properties, 24 properties factored for owner occupiers, 3 properties leased as office accommodation to support agencies and 6 properties managed on behalf of Link Housing Association under the Access Ownership scheme.

Houses under Construction

At 31 March 2016, the Association had no properties under construction.

Operating Performance

1. Housing Services

Over 60% of Horizon tenants consider themselves to have a long term health condition or disability. Over 30% of tenants are over the age of 65. Housing and asset management services are geared to meeting individual needs and enabling continued independence and supported independent living. They also recognise the particularly adverse impact of welfare reform on disabled people. The priorities for housing management were income maximisation in the context of welfare reform, and action to reduce rent arrears. We continued to invest in welfare rights and money advice support, working in partnership with Link. Current tenant rent arrears reduced by £56,400 in the year.

With Link, a successful Big Lottery bid provided access for tenants to more money advice as well as support for tenancy transitions and for digital and financial inclusion. Horizon's own housing support service was evaluated, indicating high satisfaction levels and positive impacts on the lives of vulnerable tenants, including combined additional income of £129,000 per annum.

Property turnover was 46 relets (6%) and rent loss due to voids is contained at 0.34%. 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 is piloting for the letting of its wheelchair standard or adapted properties.

OPERATING AND FINANCIAL REVIEW

2. Asset Management

A comprehensive review of repairs and maintenance policies was carried out in response to relatively poor levels of tenant satisfaction with the repairs service. A full repairs appointments system was introduced and target times for completion of emergency and routine repairs reduced. The targets were achieved.

In 2015/16 £0.51M (2015 - £ 0.56M) was invested in the planned maintenance and improvement of our existing properties, including replacing and upgrading kitchens, bathrooms, doors, windows and consumer units. Design and specification of new components takes into account individual tenant needs, offers choice and seeks to future proof and improve accessibility to properties where possibility.

The cyclical maintenance programme was delivered by a combination of in-house trades team and contractors. A new gas servicing contractor was appointed after a procurement process.

In 2014/15, a pilot reactive repairs services carried out by Link Property was established for a proportion of the housing stock. In 2015/16, after evaluation, this was extended to all of Horizon's stock, complementing Horizon's in-house trades services and providing access to a greater number of trades. This has proved effective and efficient.

Horizon continued to experience high demand for adaptations to property with expenditure of £113k (2015 - £ 74k) on the adaptation programme, assisting 44 households.

Employment of an 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.

As part of Horizon's commitment to Link Group's employability strategy, during the year the trades and estates teams hosted three trainees through the Community Jobs Fund programme.

3. Tenant Involvement

Horizon developed and implemented an action plan in 2015 to address issues raised in the Tenant Satisfaction Survey which was carried out in February 2015: levels of dissatisfaction with our repairs service, perceptions of value for money and the affordability of rents for some groups. The survey also highlighted local variations in satisfaction levels. In 2016-2017 we will be further developing a locally responsive approach, hosting estate based events and groups to promote participation, gather feedback and work together with tenants to improve services.

A successful Tenants' Conference, attended by around 35 tenants, provided an opportunity for tenants to discuss the results of the Tenants Satisfaction Survey with Board members and staff, and proposed actions to be taken.

Further development of the website, web-based consultation tools, use of social media will all be explored as a means to greater engagement with tenants.

Our approach to tenant scrutiny will also be developed, with a responsive plan to develop opportunities for our tenants to become involved in ways which are meaningful and attractive.

There are currently two tenant members on our 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.

OPERATING AND FINANCIAL REVIEW

4. Care and Repair (continued)

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.

The structure and resourcing for these contracts was reviewed during the year, with the appointment of a new Services Development Manager, some retirements and in response to the award of a new contract for North Lanarkshire. In West Lothian, the outcome has been significant increase in demand and productivity for the West Lothian service and raised awareness particularly with the NHS. In North Lanarkshire, the first year of a three year contract, with potential for a further two year extension, has achieved its timescale targets but underachievement of volume has, to a small extent, affected income. This was corrected by the fourth quarter and it is anticipated that continued performance at this level will recover the deficit over the contract period. The service continues to recruit and support volunteers to carry out handyperson tasks. 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 is a Scottish Government pilot scheme designed to help people over 60 to live independently at home for longer. Horizon supported Link Group to tender for and win the contract to deliver the pilot from April 2015 and has been closely involved over the year in its design, development and marketing, and in service delivery. By the end of the year, the scheme was fully operational in 12 local authority areas.

Horizon also developed and ran a small pilot initiative with St John's Hospital in West Lothian as part of the NHS Lothian "Assess to discharge" project. The Home Hub pilot ran for six months, and helped 160 people to move home from hospital more quickly or safely or helped prevent the need for hospital admission. The project ended on 31 March 2016 and will be evaluated.

Horizon continues to work with partners, including Link, 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. In 2015/16, Horizon collaborated with Stirling University to develop and fund research into the effective allocation of adapted social rented housing. The results of this will be reported in 2016/17.

6. Future Developments

Horizon's Board has clear priorities for 2016/17 of which the first and foremost is service improvement and value for money for tenants. We will focus on developing a robust asset management strategy based on an understanding of our customers' needs; establishing tenant scrutiny arrangements and reviewing our ways of working to identify focus areas for improving efficiency and effectiveness.

Horizon continues to work with its West Lothian Development Alliance partners, Almond Housing Association and West Lothian Housing Management, to increase the supply of affordable housing for rent in West Lothian. Plans for a new development in Stoneyburn, West Lothian are progressing for 12 properties for disabled and older people with a site start programmed for summer 2016. 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 2018/19 – 22 properties in North Street, Armadale.

The evaluation of Access Ownership 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). The evaluation noted the impact and relevance of the programme in relation to health and social care integration and recommended that Horizon and Link carry out a feasibility study for development of the programme to a scale of 17 – 20 acquisitions per annum and a feasibility study will be carried out in 2016.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

Corporate Governance

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

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

The Board takes its Corporate Governance role very seriously and arranges appropriate induction training for members, encourages and arranges attendance at conferences and training. In 2015/16, Horizon added to its annual governance appraisal process by developing a framework for individual Board member appraisal, including the Chairperson, and conducting these with the support of an independent consultant.

One Board member resigned during the year.

Corporate Structure

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

Treasury Management

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

The Association, as a matter of policy, does not enter into transactions of a speculative nature. As at 31 March 2016, £7.1M (61%) 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

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

Risk Management

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

Maintenance policies

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

In addition, the Association has a long-term programme of major repairs to cover works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs will be capitalised as required by the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers 2014.

Component accounting

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2014, the Association operates component accounting. This accounting treatment ensures that the major components of the Association's housing stock are identified and depreciated over their estimated economic life. The cost of any subsequent replacement of a major component is capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. This enables the financial statements to better reflect the use of the component over its life cycle.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives. In 2015/16 a Joint Negotiating Committee was established and developed new Terms and Conditions of service, adopted from 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. This policy follows the generally accepted practice/principles for Scottish RSLs. Rent increases since 2014/15 have been constrained at CPI +1% or lower in place of the former policy of increases of RPI + 1%, in order to maintain affordability.

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 37 staff of which 2 consider themselves to be disabled.

Home Ownership

The Association did not complete any shared ownership staircasing sales in the year (2015 – nil). Horizon extends choice of home ownership to disabled people through the Access Ownership scheme, for which it made funds available in 2015/16 to invest in tailored shared ownership solutions for disabled people and their families. There were no acquisitions under the programme in the year, although three projects were progressed for acquisitions to take place in 2016/17. Horizon's partnership with Housing Options Scotland continues to provide benefits, increasing access to independent housing information, advice and solutions for disabled people and the Access Ownership pilot programme was evaluated towards the end of 2015/16.

Auditor

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

Provision of information to the auditor

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

BY ORDER OF THE BOARD OF MANAGEMENT



F R Wood
Chairperson

Date: 9 August 2016

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

HORIZON HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS

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

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Board of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management 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 of Management members.
- the Board of Management 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 of Management has continued to review the system of internal financial control in the Association during the year ended 31 March 2016. 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: 9 August 2016

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

HORIZON HOUSING ASSOCIATION LIMITED

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

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

Co-operative and Community Benefit Society law requires the Board of Management to prepare financial statements for each financial year. Under those regulations the Board of Management has elected to prepare the financial statements in accordance with UK Accounting Standards.

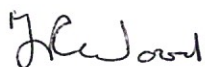
The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

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

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

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements 2012, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities financial statements (Scotland) Regulations 2006 (as amended). The Board of Management has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD OF MANAGEMENT



F R Wood
Chairperson

Date: 9 August 2016

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

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

We have audited the financial statements of Horizon Housing Association Limited ("The association") for the year ended 31 March 2016 set out on pages 14 to 35. 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 of Management 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 2016 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities financial statements (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

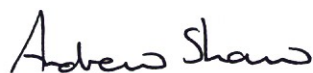
We have nothing to report in respect of the following:

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
Castle Terrace
Edinburgh
EH1 2EG

26 August 2016

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2015 £
Turnover	2	4,833,750	4,751,981
Operating expenditure	2	<u>(3,666,241)</u>	<u>(3,920,255)</u>
Operating surplus		1,167,509	831,726
Gain on disposal of other fixed assets		5,800	-
Interest receivable		1,468	1,972
Interest and financing costs		(345,080)	(358,550)
Other finance charges		<u>(42,000)</u>	<u>(63,000)</u>
Surplus on ordinary activities before taxation		787,697	412,148
Taxation		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>787,697</u></u>	<u><u>412,148</u></u>

All results relate wholly to continuing activities. Comparative figures reflect the adoption of the SORP Accounting by Registered Social Housing Providers 2014 and FRS102.

STATEMENT OF CHANGES IN RESERVES

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1 April 2015	63	1,421,839	1,421,902
Surplus from Statement of Comprehensive Income	-	787,697	787,697
Balance as at 31 March 2016	<u><u>63</u></u>	<u><u>2,209,536</u></u>	<u><u>2,209,599</u></u>

The notes on pages 17 to 35 form part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

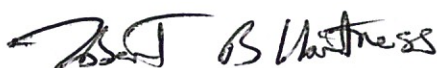
	Notes	£	2016 £	£	2015 £
Non-Current Assets					
Tangible fixed assets					
Housing properties	4a		47,536,545		48,398,487
Other fixed assets	4b		733,069		649,644
			<u>48,269,614</u>		<u>49,048,131</u>
Current Assets					
Stock		8,719		8,206	
Trade and other debtors	5	134,225		491,109	
Cash and cash equivalents		<u>2,166,329</u>		<u>1,706,984</u>	
			2,309,273		2,206,299
Creditors: amounts falling due within one year	6	<u>(1,991,315)</u>		<u>(1,776,068)</u>	
Net current assets			<u>317,958</u>		<u>430,231</u>
Total assets less current liabilities			48,587,572		49,478,362
Creditors: amounts falling due after more than one year	7		(11,154,860)		(11,535,384)
Deferred income	9		(33,347,107)		(34,096,827)
Provisions for liabilities	10		(1,876,006)		(2,424,249)
Net assets			<u>2,209,599</u>		<u>1,421,902</u>
Capital and reserves					
Share capital	11		63		63
Revenue reserves			<u>2,209,536</u>		<u>1,421,839</u>
			<u>2,209,599</u>		<u>1,421,902</u>

Approved and authorised for issue by the Board of Management on 9 August 2016 and signed on its behalf by:

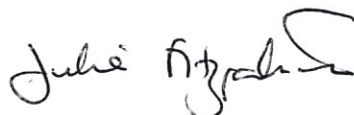
F R Wood, Chairperson



R B Hartness, Board Member



J Fitzpatrick, Secretary



The notes on pages 17 to 35 form an integral part of these financial statements.

HORIZON HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016		2015	
		£	£	£	£
Net cash inflow from operating activities	16		1,829,563		2,117,322
Investing activities					
Acquisition and construction of properties		(510,163)		(1,072,602)	
Purchase of other fixed assets		(149,348)		(222,067)	
Proceeds on disposal of fixed assets		5,800		13,054	
Interest received on cash and cash equivalents		<u>1,468</u>		<u>1,972</u>	
Net cash outflow from investing activities			(652,243)		(1,279,643)
Financing activities					
Interest paid on loans		(345,080)		(358,550)	
New loan		-		50,000	
Loan principal repayments		<u>(372,895)</u>		<u>(361,770)</u>	
Net cash outflow from financing activities			(717,975)		(670,320)
Increase in cash			<u>459,345</u>		<u>167,359</u>
Opening cash and cash equivalents			<u>1,706,984</u>		<u>1,539,625</u>
Closing cash and cash equivalents			<u><u>2,166,329</u></u>		<u><u>1,706,984</u></u>

The notes on pages 17 to 35 form an integral part of these financial statements.

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 2016. 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).

Horizon has adopted FRS 102 and the SORP 2014 this year and the financial statements have been restated accordingly. The effect of these restatements is shown in Note 22.

(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.

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 (continued)

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 year	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 participates in the SHAPS Defined Contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over the employees' working lives with the Association.

The Association has obligations for past service deficits in the SHAPS Defined Benefit pension scheme and makes contributions to this scheme in accordance with a deficit recovery plan agreed with the scheme trustees. The scheme is a multi employer scheme and it is not possible for the Association to obtain sufficient information to account for it as a defined benefit pension scheme.

The Association accounts for amounts that it has agreed to pay towards the scheme deficit as a defined contribution scheme, in accordance with paragraph 28.11A of FRS102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

(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.

2. Particulars of Turnover, Operating Costs and Operating Surplus/(Deficit)

	Turnover £	Operating Costs £	2016 Operating Surplus/ (deficit) £	2015 Operating Surplus/ (deficit) £
Affordable letting activities (note 3a)	4,388,760	3,418,179	970,581	897,956
Other activities (note 3b)	<u>444,990</u>	<u>248,062</u>	<u>196,928</u>	<u>(66,230)</u>
2016 Total	<u>4,833,750</u>	<u>3,666,241</u>	<u>1,167,509</u>	<u>831,726</u>
2015 Total	<u>4,751,981</u>	<u>3,920,255</u>	<u>831,726</u>	

3a.Particulars of Turnover, Operating Costs and Operating Surplus/(Deficit) from Affordable Letting Activities

	General Needs Housing £	Supported Housing £	Shared Ownership £	Total 2016 £	Total 2015 £
Revenue from lettings					
Rent receivable (net of service charges)	3,396,544	68,393	73,600	3,538,537	3,472,670
Service charges Receivable	-	-	19,649	19,649	20,076
Gross income from rents and service charges	3,396,544	68,393	93,249	3,558,186	3,492,746
Less: Voids	(14,407)	-	-	(14,407)	(13,871)
Net income from rents and service charges	3,382,137	68,393	93,249	3,543,779	3,478,875
Revenue Grants					
Grants released from deferred income	710,862	25,326	13,532	749,720	734,059
Revenue grants from Scottish Ministers	81,507	-	-	81,507	66,081
Other revenue grants	13,754	-	-	13,754	19,491
Total turnover from affordable letting activities	4,188,260	93,719	106,781	4,388,760	4,298,506
Expenditure on affordable letting activities					
Management and maintenance administration costs	1,151,345	9,049	5,375	1,165,769	1,226,148
Service costs	201,316	2,629	7,691	211,636	211,207
Planned and cyclical maintenance including major repair costs	180,622	26,710	-	207,332	121,200
Reactive Maintenance costs	480,004	4,301	-	484,305	468,545
Bad Debts – rents and service charges	3,273	-	-	3,273	45,476
Depreciation of affordable let properties	1,201,883	41,786	23,951	1,267,620	1,241,069
Loss on disposal of components	78,244	-	-	78,244	86,905
Operating costs for affordable letting activities	3,296,687	84,475	37,017	3,418,179	3,400,550
2016 Operating surplus on affordable letting activities	891,573	9,244	69,764	970,581	897,956
2015 Operating surplus/(deficit) on affordable letting activities	847,089	(14,148)	65,015	897,956	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2015 - £nil). The cost of property components capitalised in the year was £483,922 (2015 - £929,993).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (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) 2016 £	Operating surplus/ (deficit) 2015 £
Care and repair	169,500	216,842	386,342	-	391,481	(5,139)	(4,658)
Factoring	-	12,809	12,809	-	11,076	1,733	1,362
Contracted out services for registered social landlords	-	35,188	35,188	-	34,780	408	-
Loss on disposal of properties	-	-	-	-	-	-	(28,353)
Other activities - new initiatives	-	-	-	-	54,725	(54,725)	(47,021)
Provision for liabilities	-	-	-	-	(359,000)	359,000	-
Bad debt provision for sundry debts	-	-	-	115,000	-	(115,000)	-
Other activities	-	10,651	10,651	-	-	10,651	12,440
2016 Total	169,500	275,490	444,990	115,000	133,062	196,928	(66,230)
2015 Total	169,650	283,825	453,475	-	519,705	(66,230)	

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 Supporting People income or Grants from Scottish Ministers (2015 - £nil).

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

4. Non-Current Assets

4a. Housing Properties

	Housing Properties held for Letting £	Completed Shared Ownership Housing Property £	2016 Housing properties Total £	2015 Housing properties Total £
Cost				
At 1 April 2015	61,662,866	1,537,011	63,199,877	62,612,831
Additions during year	483,922	-	483,922	998,453
Disposals	(204,100)	-	(204,100)	(411,407)
At 31 March 2016	<u>61,942,688</u>	<u>1,537,011</u>	<u>63,479,699</u>	<u>63,199,877</u>
Depreciation				
At 1 April 2015	14,571,391	229,999	14,801,390	13,749,470
Provided during year	1,243,669	23,951	1,267,620	1,258,270
Disposals during year	(125,856)	-	(125,856)	(206,350)
At 31 March 2016	<u>15,689,204</u>	<u>253,950</u>	<u>15,943,154</u>	<u>14,801,390</u>
Net book value				
At 31 March 2016	<u>46,253,484</u>	<u>1,283,061</u>	<u>47,536,545</u>	<u>48,398,487</u>
At 31 March 2015	<u>47,091,475</u>	<u>1,307,012</u>	<u>48,398,487</u>	

Development administration costs capitalised amounted to £nil (2015 - £nil) for which Housing Association Grants amounting to £nil (2015 - £nil) were received in the year. Housing Association Grants above includes no grants from other sources in the year (2015 - £nil).

Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2015 - £nil).

Total works expenditure on housing properties amounted to £509,790 (2015 - £930,330) of which £483,922 (2015 - £929,993) was capitalised and £25,868 (2015 - £337) was expensed. Of the £483,922 (2015 - £929,993) works capitalised, £483,922 (2015 - £929,993) were replacements and £nil (2015 - £nil) were improvements.

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 2016 (continued)

4. Non-Current Assets (continued)

4b. Other Tangible Assets

	Heritable office property £	Furniture and equipment £	Motor vehicles £	2016 Total £	2015 Total £
Cost					
At 1 April 2015	715,603	138,851	100,727	955,181	707,709
Additions during year	11,078	12,857	113,607	137,542	247,472
Disposals	-	-	(56,767)	(56,767)	-
At 31 March 2016	726,681	151,708	157,567	1,035,956	955,181
Depreciation					
At 1 April 2015	114,168	102,405	88,964	305,537	273,771
Provided during year	21,410	10,262	22,445	54,117	31,766
Disposals during year	-	-	(56,767)	(56,767)	-
At 31 March 2016	135,578	112,667	54,642	302,887	305,537
Net book value					
At 31 March 2016	591,103	39,041	102,925	733,069	649,644
At 31 March 2015	601,435	36,446	11,763	649,644	

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

5. Debtors	2016	2015
	£	£
Rent arrears	138,940	191,819
Less: Provision for bad debts	(77,599)	(112,310)
Net rent arrears	61,341	79,509
Grants and mortgage advances receivable	42,375	11,183
Sundry debtors and prepayments	23,285	273,373
Amounts due from parent undertaking	-	88,980
Amounts due from group companies	7,224	38,064
	<u>134,225</u>	<u>491,109</u>
6. Creditors: amounts falling due within one year	2016	2015
	£	£
Rents in advance	118,547	121,486
Capital creditors	42,632	92,950
Sundry creditors and accruals	404,696	608,340
Amount due to parent	961,507	416,251
Amount due to group companies	39,607	120,344
Current instalments due on loans	424,326	416,697
	<u>1,991,315</u>	<u>1,776,068</u>
7. Creditors: amounts falling due after more than one year	2016	2015
	£	£
Housing loans	<u>11,154,860</u>	<u>11,535,384</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 2016 (continued)

8.	Loans	2016 £	2015 £
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	11,529,184	11,902,079
	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 0.5% and 5.55% (2015 – 0.5% and 5.68%)		
		<u>11,579,186</u>	<u>11,952,081</u>

Analysis of maturity of debt

Amounts repayable:

	2016 £	2015 £
Due within one year:	424,326	416,697
Due within 1-2 years	384,290	373,738
Due within 2-5 years	1,216,537	1,181,549
Due after 5 years	9,554,033	9,980,097
	<u>11,579,186</u>	<u>11,952,081</u>

9.	Deferred Income	2016 £	2015 £
	Social housing grants		
	Balance as at 1 April 2015	34,096,827	34,924,833
	Additions in the year	-	-
	Released / Repaid as a result of property disposal	-	(93,947)
	Amortisation in the year	(749,720)	(734,059)
	Balance as at 31 March 2016	<u>33,347,107</u>	<u>34,096,827</u>

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 2016 (continued)

10. Provision for liabilities	2016 £	2015 £
<i>Provision for pension liabilities</i>		
Balance as at 1 April 2015	1,995,249	1,942,000
Unwinding of the discount factor (interest expense)	42,000	63,000
Deficit contribution paid	(154,243)	(149,751)
Remeasurements - impact of any change in assumptions	(7,000)	140,000
Balance as at 31 March 2016	1,876,006	1,995,249
<i>Provision for other liabilities</i>		
Balance as at 1 April 2015	429,000	429,000
Provision utilised	(70,000)	-
Provision released to the statement of comprehensive income	(359,000)	-
Balance as at 31 March 2016	-	429,000
Total	1,876,006	2,424,249

Provision for pension liabilities

The pension provision relates to the Association's share of past service deficit liabilities within the Scottish Housing Association Pension Scheme (SHAPS). The liability for past service deficit contributions has been calculated in accordance with FRS102 paragraph 28.13A and represents the present value of the contributions payable. The cash outflows have been discounted at a rate of 2.29% (2015 – 2.22%).

A schedule of payments has been agreed between the Association and the scheme to recover the deficit over the next 12 years. Payments of £158,870 will be made in 2016/17, increasing by 3% annually until March 2018.

Provision for other liabilities

The claim for damages which was made against the Association by a local authority has settled out of court during the year. Costs amounting to £70,000 were paid in full and final settlement of the claim, with no blame or future liability attaching to the Association.

11. Share capital	2016 £	2015 £
Shares of £1 each issued and fully paid		
At 1 April 2015	63	73
Issued during the year	-	2
Disposed during the year	-	(12)
At 31 March 2016	63	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 2016 (continued)

12. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2015 - £nil).

13. Employees

Staff costs during year:

	2016 £	2015 £
Wages and salaries	1,238,602	1,123,382
Social security costs	113,534	107,046
Other pension costs	104,828	231,191
	<u>1,456,964</u>	<u>1,461,619</u>

	2016 No.	2015 No.
Average Full Time Equivalent number of employees during the year was	<u>37</u>	<u>36</u>
Average total number of employees during the year was	<u>40</u>	<u>38</u>

The key management personnel are defined as the Managing Director and any other person reporting directly to the Managing Director. There were no (2015 - none) 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:

	2016	2015
£60,000 - £69,999	<u>1</u>	<u>1</u>

Emoluments payable to the Managing Director :

	£	£
Emoluments excluding pension contributions	57,097	55,948
Employer's pension contributions	7,490	7,391
	<u>64,587</u>	<u>63,339</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>2,169</u>	<u>2,730</u>
Board of Management	<u>1,299</u>	<u>1,491</u>

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (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.

As at the balance sheet date, there were 32 active members (2015: 28) of the Defined Contribution Scheme employed by Horizon Housing Association Limited.

14b. Defined Benefit Scheme - Past Service Deficit Liability

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.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it financial statements for the scheme as a 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 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. 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 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly and increasing by 3% each on 1st April)
---	---

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

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present Values of Provision

	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Present value of provision	1,876	1,995	1,942

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

14. Pensions (continued)

Statement of Comprehensive Income Impact

	2016 £	2015 £
Interest expense	42,000	63,000
Remeasurements – impact of any change in assumptions	(7,000)	140,000
Contributions paid in respect of future service	106,528	85,891
Net scheme expenses	5,300	5,300
Total costs recognised in Statement of Comprehensive Income	146,828	294,191

Assumptions

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.29	2.22	3.42

15. Auditor's Remuneration

	2016 £	2015 £
Audit of these financial statements	5,280	5,150

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

	2016 £	2015 £
Surplus for the year	787,697	412,148
Depreciation of tangible fixed assets	1,321,737	1,272,835
Decrease/(increase) in debtors	356,884	(224,558)
Increase in creditors	245,665	866,142
Increase in stock	(513)	(271)
Carrying amount of tangible fixed asset disposals	78,244	128,312
Proceeds from the sale of fixed assets	(5,800)	(13,054)
Government grants utilised in the year	(749,720)	(734,059)
Interest payable	345,080	358,550
Interest received	(1,468)	(1,972)
Movement in pension provision	(119,243)	53,249
Movement in provision for liabilities	(429,000)	-
Net cash inflow from operating activities	1,829,563	2,117,322

HORIZON HOUSING ASSOCIATION LIMITED

NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

17. Reconciliation of net cash flow to movement in debt

	2016 £	2015 £
Increase in cash in year	459,345	167,359
Loan repaid	372,895	361,770
Cash received from new loans	-	(50,000)
Change in net debt	832,240	479,129
Net debt at 1 April 2015	(10,245,097)	(10,724,226)
Net debt at 31 March 2016	(9,412,857)	(10,245,097)

18. Analysis of changes in financing during the year

	As at 1 April 2015 £	Cashflows £	As at 31 March 2016 £
Cash at bank and in hand	1,706,984	459,345	2,166,329
Debt due within one year	(416,697)	(7,629)	(424,326)
Debt due outwith one year	(11,535,384)	380,524	(11,154,860)
	(10,245,097)	832,240	(9,412,857)

19. Housing units

	2016		2015	
	Newbuild	Rehab	Newbuild	Rehab
General needs	794	2	794	2
Shared ownership	24	6	24	6
Supported units in residential accommodation	1	-	1	-
Total	819	8	819	8

In addition, Horizon manages 6 units on behalf of Link Housing Association (2015 – 7), for which Link Housing Association pays a management fee.

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.

Governing body 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 governing body 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 governing body members (and their close family) were as follows:

	£
Rent Received from Tenants on the Board	8,050

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.

22. Transition to the Financial Reporting Standard 102

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the year ended 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those used previously. The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended 31 March 2016.

22. Transition to the Financial Reporting Standard 102 (continued)

	Notes	Reported in 2014 Accounts £	Restatement £	Restated 2014 Accounts £
Reconciliation of Capital and Reserves				
Tangible fixed assets - housing properties	(i)	13,069,165	35,794,196	48,863,361
Tangible fixed assets – other fixed assets	(i)	432,041	1,897	433,938
Stock		7,935	-	7,935
Debtors		266,551	-	266,551
Cash		1,539,625	-	1,539,625
Creditors – due within one year		(905,610)	-	(905,610)
Creditors – more than one year		(11,900,204)	-	(11,900,204)
Deferred income	(i)	-	(34,924,832)	(34,924,832)
Provision for liabilities	(ii)	(429,000)	(1,942,000)	(2,371,000)
Net assets		2,080,503	<u>(1,070,739)</u>	1,009,764
Share capital		73	-	73
Designated reserves	(iv)	650,022	(650,022)	-
Revenue reserve		1,430,408	(420,717)	1,009,691
Capital and reserves		2,080,503	<u>(1,070,739)</u>	1,009,764

	Notes	Reported in 2015 Accounts £	Restatement £	Restated 2015 Accounts £
Reconciliation of Capital and Reserves				
Tangible fixed assets - housing properties	(i)	13,368,849	35,029,638	48,398,487
Tangible fixed assets – other fixed assets	(i)	647,747	1,897	649,644
Stock		8,206	-	8,206
Debtors		491,109	-	491,109
Cash		1,706,984	-	1,706,984
Creditors – due within one year		(1,776,068)	-	(1,776,068)
Creditors – more than one year		(11,535,384)	-	(11,535,384)
Deferred income	(i)	-	(34,096,827)	(34,096,827)
Provision for liabilities	(ii)	(429,000)	(1,995,249)	(2,424,249)
Net assets		2,482,443	<u>(1,060,541)</u>	1,421,902
Share capital		63	-	63
Designated reserves	(iv)	699,907	(699,907)	-
Revenue reserve		1,782,473	(360,634)	1,421,839
Capital and reserves		2,482,443	<u>(1,060,541)</u>	1,421,902

22. Transition to the Financial Reporting Standard 102 (continued)**Reconciliation of Restated Surpluses for the Year**

	Notes	Reported in 2015 Accounts £	Restatement £	Restated 2015 Accounts £
Turnover	(i) & (ii)	4,004,868	747,113	4,751,981
Operating costs	(i) & (ii)	(3,217,987)	(702,268)	(3,920,255)
Operating surplus		786,881	44,845	831,726
Interest receivable		1,972	0	1,972
Interest payable		(358,550)	0	(358,550)
Finance charges	(ii)	0	(63,000)	(63,000)
Loss on disposal of fixed assets	(iii)	(28,353)	28,353	0
Net increase in surplus		401,950	10,198	412,148

Notes**(i) Capital Grants and Depreciation**

Social Housing Grants and Other grants have been accounted for in accordance with the SORP 2014, which means that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in turnover over the useful life of the related asset.

Consequently, property depreciation is now calculated on the gross historic costs of the asset, rather than the historic cost net of grant, resulting in a higher depreciation charge.

Non current assets have increased by £35,031,535, due to grants of £44,990,402 being transferred to deferred income, offset by an increase in property depreciation of £9,958,867.

Deferred Income has increased by £34,096,827 due to grants of £44,990,402 transferred from non current assets being offset by grants released to the revenue reserve of £10,893,575.

In 2014/15, £734,059 of grants were released from deferred income to turnover for the year and operating costs increased by £670,612 due to the increased depreciation charge for the year.

(ii) Pension Provision

The Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme and this has been recognised as a liability in accordance with FRS 102.

This liability was not previously recognised and payments made under this agreement were written off as operating costs. The liability for deficit payments to this scheme has been discounted to its present value of £1,995,249 at 31 March 2015.

Operating costs have decreased by £9,751 in 2014/15 to reallocate actual pension payments of £149,751 made in the year against the provision and a charge of £140,000 to adjust the provision to reflect any changes in assumptions by the pension scheme administrators.

The unwinding of the discount on this provision is recognised as a finance cost in the Statement of Comprehensive income, in accordance with FRS 102 para 28.13A.

22. Transition to the Financial Reporting Standard 102 (continued)**Notes****(iii) Gain or Loss on Disposal of Property**

Gains and losses on disposal of properties were previously reported in the Statement of Comprehensive Income after calculation operating surplus. Such gains and losses are now considered as operating activities, and proceeds and costs of disposal of properties will be included in turnover and operating costs.

In 2014/15, turnover has been increased by £13,054 and operating costs by £41,407, to reflect the net loss of £28,353 on disposal of properties, which was previously reported after operating surplus.

(iv) Designated Reserves

SORP 2014 requires that designated reserves are not separately disclosed in the primary financial statements, but added to the revenue reserve, therefore designated reserves of £699,907 have been added to the revenue reserve at 31 March 2015.

Adjustments to Statement of Recognised Income

	Notes	2015 £	2015 £
Turnover			
Grants released from deferred income	(i)	(734,059)	
Proceeds from disposal of property	(iii)	<u>(13,054)</u>	
			(747,113)
Operating Costs			
Depreciation	(i)	670,612	
Costs of disposal of property	(iii)	41,407	
Net pension costs transferred to provision	(ii)	<u>(9,751)</u>	
			702,268
Operating Surplus			<u>(44,845)</u>
Finance charges - pension provision	(ii)		63,000
Transfer loss on disposal to operating activities	(iii)		(28,353)
			<u>(10,198)</u>