



HORIZON HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For The Year Ended 31 March 2020

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 2020

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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

Mr R McDougall (Chairperson)
Ms J Pritchard (ViceChairperson)
Mr C Baird
Mr G Carson
Mr S Dow (Resigned April 2020)
Ms S Fitton
Ms J Flanagan (Resigned February 2020)
Ms B Graham
Ms J Hamilton
Mr R B Hartness
Mr T S Rae (Resigned July 2019)
Mr W Taylor
Mr J Watt (Resigned September 2019)
Ms F R Wood

Executive Officers

Ms L Cameron – Chief Executive & Secretary (started December 2019)
Ms I Gray – Interim Managing Directory & Secretary (left November 2019)

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 2020.

PRINCIPAL ACTIVITY

The principal activity of Horizon Housing Association is to provide and promote affordable, accessible housing and related services for people to be able to live independently in the community. 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 2019, confirming that these continue to be important and relevant and added a sixth strategic objective at its meeting in April 2020. These support the four overarching Link Group aims set out below:

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

Horizon's vision is that we have inclusive, sustainable communities where everyone has a home that meets their needs and enables them to live independently. 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 and what we do, and how we do it, is driven by the broader values of Link group which are:

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

Horizon's strategic objectives are:

- Provide quality homes and services at the right price for our current and future tenants.
- Contribute to delivery of more accessible homes across Scotland and serve as an exemplar of good practice.
- Work in partnership with all the Link Group Partners to achieve Horizon's desired outcomes, ensuring the new governance arrangements are effective.
- Develop and support initiatives which keep older and disabled people in the community with a good quality of life.
- Deliver social impact and value for money with effective people, processes, structures and finances.
- Work to address climate change through decarbonisation strategies.

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 where necessary.
- Disabled people have more 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.
- Developments and ways of working are informed and influenced by a decarbonisation strategy.

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 £1,022,085 (2019, £578,137).

Turnover remained similar to last year at £5.2m (2019, £5.3m) and Operating Costs are also similar to last year at £4.4m (2019, £4.3m). The income from Social Letting Activities increased by 1.0% and this principally reflects rent increases applied in April 2019 and decreased levels of funding for adaptations. Turnover from Other Activities decreased by 17.7% in total. This decrease principally reflects a reduction in income in respect of care and repair services provided by Horizon in 2019, principally the West Lothian Care and Repair service, which Horizon operated until November 2018, when West Lothian Council ended funding for the service. This reduction was offset by proceeds from property sales of £0.1m, there were no property sales in 2019.

Horizon's total comprehensive income for the year increased by £0.4m in comparison to 2019, mainly due to the remeasurement of pension liabilities. The value of the pension scheme liability was substantially reduced at 31 March 2020, the benefit obligation (liability) has decreased by £0.26m and there has been an increase of £0.26m in scheme assets.

The results for 2020 were in line with the Board's expectations and within Horizon's budget and business plan for 2019/20 and beyond.

Properties in Management

The number of properties managed by Horizon was 880 at 31 March 2020. This includes 794 properties for rent, 11 properties with 44 bed spaces in shared accommodation for people with support needs, 55 properties factored of which 20 are shared owners, 35 are owner occupiers and finally 20 access ownership properties, 11 of which are properties managed on behalf of Link Housing Association.

Horizon also leases and manages 1 care home property to Sense Scotland and provides one property for Women's Aid.

Houses under Construction

At 31 March 2020, the Association had no properties under construction.

Operating Performance

1. Housing Services

Many Horizon tenants have a long-term health condition or are disabled. In our 2018 Tenant Satisfaction Survey, 65% of those interviewed said that they or someone living in the household were disabled or had a long-term illness affecting daily living. This has increased from 51% of those interviewed in 2015. Overall, 32% of our tenants are over the age of 65.

Housing and asset management services are focused on meeting individuals' needs and supporting them to live independently. They also recognise the particularly adverse impact of social security changes and service cuts on disabled people and at this time of a global pandemic, the particular pressures and difficulties many tenants face. The priorities for housing management continue to be maximising our income, supporting tenants to pay their rent, manage their finances and also, contain and reduce rent arrears. We have continued to invest in welfare rights support, working in partnership with Link.

Horizon's gross arrears reduced from 4.19% in 2018/19, to 4.05% in 2019/20. This reflected the fact that in 2019/20 a total of £40,430 of arrears were written off, including £27,827 of former tenant rent arrears (69% of the total arrears

HORIZON HOUSING ASSOCIATION LIMITED**REPORT OF THE BOARD OF MANAGEMENT**

OPERATING AND FINANCIAL REVIEW**1. Housing Services (continued)**

written off), thus removing a substantial amount of historic debt. The 2019/20 arrears write off of £40,430 was more than 4 times the previous year's (2019 £9,083) and if it had not occurred, gross arrears for 2019/20 would be 5.34%. The team is working on an action plan to reduce rent arrears, accepting the challenges Covid19 will be for many household incomes in the long and short term.

During the year we continued to raise awareness of Horizon's tenancy sustainment service and supported over a fifth 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 164 tenants and additional income or grants totalling £280,491.46 was gained for or on behalf of tenants. Tenancy sustainment for the year was 97.8%.

50 properties were re-let (2019 47) – a turnover of 6.3% of the stock (2019 5.9%). A significant proportion of our voids result from the death of the tenant or the need to move into a care home. Voids increased from 30% in 2018/19 to 36% in 2019/20. On average, the time to re-let void properties was 13.9 days in 2019/20, an improvement from 17.55 days in 2018/19. Rent loss due to voids reduced from 0.33% in 2018/19 to 0.25% in 2019/20. We are currently working with Link colleagues on the replacement of the current choice-based lettings system, Homehunt from September 2020 with the intention of making the system more accessible. We continue to allocate wheelchair properties in line with the lettings plan agreed by board and this will be reviewed in 2020.

2. Asset Management

A comprehensive Asset Performance Review was completed in June 2017 to give a sound basis for developing the Asset Management Strategy also reviewed in 2018/19. A further review is now due to update the financial indicators following the implementation of the new rent structure. In-house stock condition surveys covering 64% of Horizon stock have now been completed. The surveys were enhanced by bespoke software and more data collection relating to home health checks and tenant needs. This has informed the five-year and thirty-year investment plan. With the help of external consultants, we confirmed that our approach was robust and able to inform the latest 30 Year Financial Plan.

Horizon invested £667,125 in upgrading and improving 137 tenants' homes with new kitchens, bathrooms, windows and boilers in the financial year, resulting in high 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 satisfaction survey in early 2020 of 32% tenants (256) highlighted 94% tenant satisfaction with the service. While some areas for improvement remain around repairs, the survey showed very high levels of satisfaction across most areas. Areas for improvement from this survey and recent monitoring of key performance indicators will be progressed through an improvement action plan and monitored by the management team.

Horizon completed 73 adaptations for Horizon tenants during the year with grant assistance from Scottish Government and additional adaptations were carried out as part of planned maintenance programmes for bathrooms and kitchens. The average time to complete approved applications for medical adaptations was 26.0 days compared to 49.6 days the previous year. The total cost of adaptations was £127,203 in 2019/20.

Our Estates Caretaking team makes sure the environment around Horizon's developments and communal areas are maintained to high standards and that any issues are quickly identified and addressed. Annual estates' inspections are attended by tenants and staff and used to identify necessary improvements or renewals. Several estate improvements were carried out during the year in response to this. The team continue to provide disabled tenants or elderly tenants a free of charge grass cutting service as well as a 'Good Neighbour' service where the estates caretakers help tenants out with small jobs, like lifting heavy items or changing lightbulbs.

3. Tenant Involvement

During 2019/20 Horizon's tenant scrutiny panel the "Resident Improvement Group" (RIG) completed its third scrutiny project on Horizon's approach to tenant participation. Its recommendations were incorporated into a revised Resident Engagement Strategy and this resulted in a new Resident Engagement Strategy, and action plan, being agreed by

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

OPERATING AND FINANCIAL REVIEW

3. Tenant Involvement (continued)

Board in August. At the suggestion of RIG a leaflet detailing Horizon's approach to participation was issued to all residents in October.' RIG has begun a new scrutiny project, supported by TIS in early 2020, focussing on complaints in relation to repairs, but progress on this has stalled as a result of lockdown.

Results from the 2018 survey, as well as research carried out by RIG, indicated that tenants favoured opportunities to participate at a local level, and they particularly liked the 'tea in the car park' events. In response to this, 12 events were held in summer 2019, including two at weekends. Attendance at these was variable and weather dependent, but at half of these events between 20% and 33% of tenants in the development attended.

There is currently one tenant member on the Board of Management ("The Board"). Three places on Horizon's Board are reserved for tenant members. Recruitment to fill these is now underway.

4. Care and Repair

Until March 2020 Horizon managed the Care and Repair service in North Lanarkshire, on behalf of North Lanarkshire Council. This service helped older and disabled people live in their homes in comfort and security, and with greater independence. Unfortunately, due to the Council's budget cuts, this contract was not extended beyond March 2020.

Overall satisfaction with this service was high, with targets being met for most of the year. However, sickness absence and vacant posts resulted in a drop of performance towards the end of the contract, resulting in 90% of the small repairs jobs being completed within target timescales, although we completed 110% of jobs against target.

As part of this contract LinkLiving's Volunteer Service team were engaged by Horizon to work in partnership with the Care and Repair team to develop the volunteer Handyperson Service. At the end of the contract we had 9 active volunteers working in this service and one of our volunteers had completed his 300th job for the North Lanarkshire Care and Repair service.

5. Future Developments

Horizon's Board has clear priorities for 2020/21, all linked to the six 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 2021 to 31 March 2022.

Horizon continues to contribute to the Renfrewshire Housing Providers' Forum to support the delivery of affordable and accessible housing across that area. Work is also currently underway to collate information on the availability and location of wheelchair and accessible housing, as well as adapted properties.

The four partners in Link Housing have been developing a housing strategy based around key themes of tenant participation/engagement; sustainability; value for money and accountability/culture. A staff away-day in February was the first time all housing staff had been together, and staff raised and discussed some important developments and ways of working. This will be implemented during the year.

The Horizon Access Ownership programme now includes 9 properties, and 11 properties purchased by Link. This area will be reviewed in 2020 to assess future options either for development or to maintain the current properties.

6. 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.

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

OPERATING AND FINANCIAL REVIEW

6. Business Outlook (continued)

However, as the impact of the Covid19 pandemic is likely to be significant, work is ongoing to monitor the situation in terms of cash flow. This includes stress-testing and scenario planning as the situation develops to assess future affordability and identify mitigating actions.

Like all social housing providers, Horizon is experiencing the impact of social security changes including the introduction of Universal Credit. Although, Horizon includes the impact of adverse scenarios arising from these changes 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, notwithstanding the Covid19 pandemic.

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. Due to changes in key posts, the annual appraisal of Board members did not take place in 2019 and is planned for 2020 with a revised process which will include a skills audit and assessment of the tools and equipment board members need to be able to carry out their board duties.

No new members joined the Board in the year 2019/20 and three resigned.

Corporate Structure

Horizon is a partner within 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. During 2019/20 all partners agreed a revised Intra Group Agreement which set out new governance arrangements for all parties to work effectively together.

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 2020, £5.6m (56%) of borrowings with external funders were subject to fixed interest rates.

Budgetary Process

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

HORIZON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

Performance Management

Horizon wants to continuously improve its business activities, promoting positive outcomes for individuals and their communities. As part of the business planning process, performance targets and Key Performance Indicators (KPIs) are established in consultation with staff. Performance against KPI targets is monitored by the Board on a quarterly basis and reported to tenants 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. Performance is benchmarked with other Link Group partners 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 revised risk mapping exercise (analysis of risks facing Horizon), which 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.

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 to implement any improvements arising from inspections and audits. 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 with the most recent audit being carried out in January 2020, and any actions and recommendations are reported to the Audit committee and Board.

Rental Income

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. A major review of the rent structure was carried out in 2018/19, and recommendations were agreed by the Board in December 2019 which were implemented in April 2020, with support for those most affected in the form of a phased increase over two years.

HORIZON HOUSING ASSOCIATION LIMITED

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Disabled Employees

Employment applications from disabled people are given full and fair consideration in accordance with their 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 (35 FTE) of which one considers them self to be disabled.

Home Ownership

Horizon sold two shared ownership properties on the open market in the year (2019 – nil) including one access ownership property and also purchased two (2019 – 1) access ownership properties. However, the sale of the access ownership property was to facilitate the purchase of a new access ownership property more suitable for the occupant, a first for Horizon. 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 2019/2020 to invest in tailored shared ownership solutions for disabled people and their families. There were three (2019 – nil) 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

R McDougall
Chairperson

Date: 26 August 2020

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 misstatement 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 2020. 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

R McDougall
Chairperson

Date: 26 August 2020

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 2019, 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

R McDougall
Chairperson

Date: 26 August 2020

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 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, 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 affairs of the association as at 31 March 2020 and of its income and expenditure for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2012, 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 has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have 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 Board's conclusions, we considered the inherent risks to the association's business model 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 the Board of Management, Statement of Board's Responsibilities and Board of Management Statement on Internal Financial Controls. Our opinion on the financial statements does not cover the

Independent auditor's report to Horizon Housing Association Limited (continued)

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.

We are required to report to you if:

1. based solely on that work, we have identified material misstatements in the other information; or
2. in our opinion, the Statement on Internal Financial Controls on page 11 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
3. in our opinion, the Statement on Internal Financial Controls is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO HORIZON HOUSING ASSOCIATION LIMITED

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 it determines 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 it either intends to liquidate the association or to cease operations, or has 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 of the Housing (Scotland) Act 2010. 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.

Debra Chamberlain

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

21/9/2020 | 13:45 BST

HORIZON HOUSING ASSOCIATION LIMITED**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	2019 £
Turnover	2	5,240,263	5,275,379
Operating expenditure	2	<u>(4,355,187)</u>	<u>(4,321,759)</u>
Operating surplus		885,076	953,620
Interest receivable		3,073	2,167
Interest and financing costs		(220,064)	(233,650)
Other finance charges		(16,000)	(22,000)
		<hr/>	<hr/>
Surplus on ordinary activities before taxation		652,085	700,137
Taxation		<hr/> -	<hr/> -
Surplus for the year		652,085	700,137
Remeasurement of the defined benefit pension liability		370,000	(122,000)
		<hr/>	<hr/>
Total comprehensive income for the year		<u><u>1,022,085</u></u>	<u><u>578,137</u></u>

All results relate wholly to continuing activities.

STATEMENT OF CHANGES IN RESERVES

	Share Capital £	Revenue Reserve £	Total £
Balance as at 1 April 2019	68	4,902,942	4,903,010
Issue of shares	1	-	1
Cancellation of shares	(19)	-	(19)
Surplus from Statement of Comprehensive Income	-	652,085	652,085
Remeasurement of the defined benefit pension liability	-	370,000	370,000
		<hr/>	<hr/>
Balance as at 31 March 2020	50	5,925,027	5,925,077

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 2020

	Notes	2020		2019	
		£	£	£	£
Non-Current Assets					
Tangible fixed assets					
Housing properties	4a		46,397,746		47,062,812
Other fixed assets	4b		<u>543,549</u>		<u>615,965</u>
			46,941,295		47,678,777
Current Assets					
Stock		4,778		6,505	
Trade and other debtors	5	131,044		165,587	
Cash and cash equivalents		<u>1,527,393</u>		<u>1,065,237</u>	
		1,663,215		1,237,329	
Creditors: amounts falling due within one year	6	<u>(1,727,739)</u>		<u>(1,344,652)</u>	
Net current (liabilities)			<u>(64,524)</u>		<u>(107,323)</u>
Total assets less current liabilities			46,876,771		47,571,454
Creditors: amounts falling due after more than one year	7		(9,467,030)		(9,873,671)
Deferred income	9		(31,290,008)		(32,072,964)
Pension liability	13b		(194,656)		(721,809)
Net assets			<u><u>5,925,077</u></u>		<u><u>4,903,010</u></u>
Capital and reserves					
Share capital	10		50		68
Revenue reserve including pension reserve			5,925,027		4,902,942
			<u><u>5,925,077</u></u>		<u><u>4,903,010</u></u>

Approved and authorised for issue by the Board of Management on 26 August 2020 and signed on its behalf by:

HORIZON HOUSING ASSOCIATION LIMITED**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020		2019	
		£	£	£	£
Net cash inflow from operating activities	15		2,037,153		1,031,634
Investing activities					
Acquisition and construction of properties		(892,396)		(843,393)	
Purchase of other fixed assets		(9,596)		(18,973)	
Grants repaid		(17,235)		-	
Interest received on cash and cash equivalents		<u>3,073</u>		<u>2,167</u>	
Net cash outflow from investing activities			(916,154)		(860,199)
Financing activities					
Interest paid on loans		(220,064)		(233,650)	
Issue of shares		1		-	
Loan principal repayments		<u>(438,780)</u>		<u>(427,718)</u>	
Net cash outflow from financing activities			(658,843)		(661,368)
(Decrease) in cash			(462,156)		(489,933)
Opening cash and cash equivalents			<u>1,065,237</u>		<u>1,555,170</u>
Closing cash and cash equivalents			<u><u>1,527,393</u></u>		<u><u>1,065,237</u></u>

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 2020**

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 have been prepared on a going concern basis which the Board of Management consider to be appropriate for the following reasons.

The Board of Management anticipates that a surplus will be generated in the year to 31 March 2020 and the year to 31 March 2021. Horizon Housing Association has a healthy cash position and thus the Board of Management is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. The Board of Management, after reviewing the company's budgets for 2020/21 and the medium term financial position as detailed in the 30-year business plan, including changes arising from the Covid-19 pandemic, are of the opinion that, taking account of severe but plausible downsides, the company will have sufficient funds to meet its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements. The Board of Management therefore continue to adopt the going concern basis 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 2019 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers 2018 (SORP 2018) and Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (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.

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)****1. Accounting Policies (continued)****(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.

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) DepreciationHousing 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.

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)****1. Accounting Policies (continued)****(k) Leasing and hire purchase commitments**

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.

(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 2020 (continued)****2. Particulars of Turnover, Operating Costs and Operating Surplus**

	Turnover	Operating Costs	2020 Operating Surplus/ (Loss)	2019 Operating Surplus/ (Loss)
	£	£	£	£
Affordable letting activities (note 3a)	4,845,398	3,955,543	889,855	986,844
Unrestricted Other activities (note 3b)	394,865	399,644	(4,779)	(23,015)
Restricted Other activities (note 3b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,209)</u>
2020 Total	<u>5,240,263</u>	<u>4,355,187</u>	<u>885,076</u>	<u>953,620</u>
2019 Total	<u>5,275,379</u>	<u>4,321,759</u>	<u>953,620</u>	

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)****3a.Particulars of Turnover, Operating Costs and Operating Surplus from Affordable Letting Activities**

	General Needs Housing £	Supported Housing £	Shared Ownership £	Total 2020 £	Total 2019 £
Revenue from lettings					
Rent receivable (net of service charges)	3,536,343	79,951	65,224	3,681,518	3,586,066
Service charges Receivable	238,750	-	19,881	258,631	253,402
Gross income from rents and service charges	3,775,093	79,951	85,105	3,940,149	3,839,468
Less: Voids	(11,599)	-	-	(11,599)	(11,833)
Net income from rents and service charges	3,763,494	79,951	85,105	3,928,550	3,827,635
Revenue Grants					
Grants released from deferred income	728,883	25,326	11,511	765,720	766,761
Revenue grants from Scottish Ministers	146,585	-	-	146,585	196,016
Other revenue grants	4,543	-	-	4,543	5,457
Total turnover from affordable letting activities	4,643,505	105,277	96,616	4,845,398	4,795,869
Expenditure on affordable letting activities					
Management and maintenance administration costs	1,337,954	29,599	14,658	1,382,211	1,422,347
Service costs	267,093	3,194	9,750	280,037	245,589
Planned and cyclical maintenance including major repair costs	251,568	5,078	-	256,646	219,762
Reactive Maintenance costs	540,602	26,916	-	567,518	518,962
Bad Debts – rents and service charges	43,129	-	-	43,129	16,260
Depreciation of affordable let properties	1,337,865	41,786	11,284	1,390,935	1,370,142
Loss on disposal of components	35,067	-	-	35,067	15,963
Operating costs for affordable letting activities	3,813,278	106,573	35,692	3,955,543	3,809,025
2020 Operating surplus/(deficit) on affordable letting activities	830,227	(1,296)	60,924	889,855	986,844
2019 Operating surplus on affordable letting activities	876,531	42,557	67,756	986,844	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2019 - £nil). The cost of property components capitalised in the year was £632,076 (2019 - £618,459).

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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) 2020 £	Operating surplus/ (deficit) 2019 £
Unrestricted activities							
Care and repair	-	234,638	234,638	-	259,787	(25,149)	29,818
Factoring	-	12,693	12,693	-	17,038	(4,345)	(2,204)
Contracted out services for registered social landlords	-	4,752	4,752	-	4,752	-	-
Contracted out services for other organisations	-	24,462	24,462	-	21,963	2,499	845
Gain on disposal of properties	-	102,133	102,133	-	28,394	73,739	-
Other activities - new initiatives	-	-	-	-	67,710	(67,710)	(61,086)
Other activities	-	16,187	16,187	-	-	16,187	9,612
	-	394,865	394,865	-	399,644	(4,779)	(23,015)
Restricted activity							
Drill UK Grant Fund	-	-	-	-	-	-	(10,209)
2020 Total	-	394,865	394,865	-	399,644	(4,779)	(33,224)
2019 Total	198,839	280,671	479,510	-	512,734	(33,224)	

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 (2019 - £nil).

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)****4. Non-Current Assets****4a. Housing Properties**

	Housing Properties held for Letting £	Completed Shared Ownership Housing Property £	2020 Housing properties Total £	2019 Housing properties Total £
Cost				
At 1 April 2019	64,969,247	1,473,399	66,442,646	65,938,387
Additions during year	632,076	243,952	876,028	682,290
Disposals	(168,442)	(135,264)	(303,706)	(178,031)
At 31 March 2020	65,432,881	1,582,087	67,014,968	66,442,646
Depreciation				
At 1 April 2019	19,098,401	281,433	19,379,834	18,171,760
Provided during year	1,367,763	23,172	1,390,935	1,370,142
Disposals during year	(133,374)	(20,173)	(153,547)	(162,068)
At 31 March 2020	20,332,790	284,432	20,617,222	19,379,834
Net book value				
At 31 March 2020	45,100,091	1,297,655	46,397,746	47,062,812
At 31 March 2019	45,870,846	1,191,966	47,062,812	

Development administration costs capitalised amounted to £nil (2019 - £nil) for which Housing Association Grants amounting to £nil (2019 - £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 (2019 - £nil).

Works expenditure on Housing Properties

	2020 £	2019 £
Capitalised	632,076	618,459
Expensed	35,049	25,385
Total	667,125	643,844
Capitalised works are classified as follows;		
Replacements	632,076	618,459
Total	632,076	618,459

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 2020 (continued)****4. Non-Current Assets (continued)****4b. Other Tangible Assets**

	Heritable office property £	Furniture and equipment £	Motor vehicles £	2020 Total £	2019 Total £
Cost					
At 1 April 2019	722,673	177,368	179,265	1,079,306	1,060,333
Additions during year	-	9,596	-	9,596	18,973
Disposals	-	(83,569)	-	(83,569)	-
At 31 March 2020	722,673	103,395	179,265	1,005,333	1,079,306
Depreciation					
At 1 April 2019	199,048	143,941	120,352	463,341	398,999
Provided during year	21,143	15,281	45,588	82,012	64,342
Disposals during year	-	(83,569)	-	(83,569)	-
At 31 March 2020	220,191	75,653	165,940	461,784	463,341
Net book value					
At 31 March 2020	502,482	27,742	13,325	543,549	615,965
At 31 March 2019	523,625	33,427	58,913	615,965	

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

5. Debtors	2020	2019
	£	£
Rent arrears	142,507	148,576
Less: Provision for bad debts	(79,097)	(83,576)
Net rent arrears	63,410	65,000
Grants and mortgage advances receivable	20,621	42,375
Sundry debtors and prepayments	47,013	58,212
	<u>131,044</u>	<u>165,587</u>
6. Creditors: amounts falling due within one year	2020	2019
	£	£
Rents in advance	184,712	152,819
Capital creditors	45,226	61,592
Deferred income	116,365	116,365
Sundry creditors and accruals	323,398	211,134
Amount due to parent	506,106	239,471
Amount due to group companies	103,871	83,071
Current instalments due on loans	448,061	480,200
	<u>1,727,739</u>	<u>1,344,652</u>
7. Creditors: amounts falling due after more than one year	2020	2019
	£	£
Housing loans	<u>9,467,030</u>	<u>9,873,671</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 2020 (continued)**

8. Loans	2020	2019
	£	£
i) <i>Loans other than instalment loans</i>		
Loans advanced by the Scottish Government	2	2
These loans fall to be repaid in March 2042 and November 2049. No interest is payable.		
Loans advanced by Private Lender	50,000	50,000
This loan is payable on demand and no interest is payable.		
ii) <i>Loans repayable by instalments</i>		
Loans advanced by Private Lenders	9,865,089	10,303,869
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 3.42% (2019 – 0.97% and 4.56%)		
	<u>9,915,091</u>	<u>10,353,871</u>

Analysis of maturity of debt

Amounts repayable:	2020	2019
	£	£
Due within one year:	448,061	480,200
Due within 1-2 years	456,487	439,054
Due within 2-5 years	1,422,100	1,372,761
Due after 5 years	7,588,443	8,061,856
	<u>9,915,091</u>	<u>10,353,871</u>

9. Deferred Income	2020	2019
	£	£
<i>Social housing grants</i>		
Balance as at 1 April 2019	32,072,964	32,839,725
Additions in the year	-	-
Released / Repaid as a result of property disposal	(17,235)	-
Amortisation in the year	(765,721)	(766,761)
	<u>31,290,008</u>	<u>32,072,964</u>
Balance as at 31 March 2020	<u>31,290,008</u>	<u>32,072,964</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 2020 (continued)**

10. Share capital	2020	2019
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2019	68	68
Issued during the year	1	-
Removed during the year	(19)	-
At 31 March 2020	50	68

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. Capital Commitments

Amounts contracted for but not provided in the financial statements amounted to £nil (2019 - £nil).

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

12. Employees	2020	2019
	£	£
Staff costs during year:		
Wages and salaries	990,930	1,052,726
Social security costs	97,769	100,815
Other pension costs	86,718	90,245
	<u>1,175,417</u>	<u>1,243,786</u>
	2020	2019
	No.	No.
Average Full Time Equivalent number of employees during the year was	<u>35</u>	<u>35</u>
Average total number of employees during the year was	<u>37</u>	<u>37</u>

The key management personnel are defined as the Chief Executive (2019 - Managing Director) and any other person reporting directly to the Chief Executive (2019 – Managing Director), which in 2019 and 2020 was the Operations Director. There was nil (2019 - one) member of key management personnel whose total emoluments were £60,000 or more, excluding pension contributions, during the year.

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

	2020	2019
£60,000 - £69,999	-	1
	<u>-</u>	<u>1</u>

Emoluments payable to the Chief Executive:

	£	£
Emoluments excluding pension contributions	67,401	63,013
Employer's pension contributions	6,025	6,934
	<u>73,426</u>	<u>69,947</u>

The role was performed by the Interim Managing Director for the period April 2019 to November 2019 (8 months) and paid £21,913 and the current Chief Executive for the period December 2019 to March 2020 (4 months) and paid £51,513.

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>413</u>	<u>3,203</u>
Board of Management	<u>1,685</u>	<u>3,070</u>

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

13. Pensions**13a. 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 29 active members (2019: 31) of the Defined Contribution Scheme employed by Horizon Housing Association Limited.

13b. 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 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) 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 was not 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 financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

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 2020 (continued)****13b. Defined Benefit Scheme (continued)****Key Assumptions**

	2020	2019
Discount Rate	2.40%	2.55%
Salary Increases	2.50%	2.35%
Inflation (RPI)	2.85%	3.35%
Inflation (CPI)	1.85%	2.35%
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 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

Amounts Recognised in Statement of Financial Position

	2020	2019
	£'000	£'000
Fair value of scheme assets	5,825	5,561
Present value of benefit obligation	<u>(6,020)</u>	<u>(6,283)</u>
Net pension liability	<u>(195)</u>	<u>(722)</u>

Amounts Recognised in Statement of Comprehensive Income

	2020	2019
	£'000	£'000
Current service costs	-	-
Administration costs	5	5
Net interest on net defined benefit obligation	16	22
Total pension cost recognised in Statement of Comprehensive Income	<u>21</u>	<u>27</u>

Changes in Defined Benefit Obligation

	2020	2019
	£'000	£'000
Opening Defined Benefit Obligation	6,283	5,847
Interest Expense	164	167
Actuarial (Gains)/Losses	(289)	362
Benefits Paid	<u>(138)</u>	<u>(93)</u>
Closing Defined Benefit Obligation	<u>6,020</u>	<u>6,283</u>

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)****13b. Defined Benefit Scheme (continued)**

Changes in Fair Value of Scheme Assets	2020 £'000	2019 £'000
Opening Fair Value of Scheme Assets	5,561	5,101
Actual Return on Scheme Assets less Interest Income	81	240
Interest income	143	140
Employer Contributions	178	173
Benefits Paid	(138)	(93)
Administration costs	-	-
Closing Fair Value of Scheme Assets	5,825	5,561
Other Comprehensive Income	2020 £'000	2019 £'000
Actual return on plan assets less interest income on plan assets	81	240
Actuarial gains / (losses)	289	(362)
Remeasurement gains and losses recognised in other comprehensive income	370	(122)

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

	2020 £,000	2019 £,000
Global Equity	801	895
Absolute Return	358	471
Distressed Opportunity	106	95
Credit Relative Value	140	97
Alternative Risk Permia	467	311
Fund of Hedge Funds	-	15
Emerging Market Debt	207	178
Risk Sharing	185	161
Insurance-Linked Securities	156	144
Property	109	110
Infrastructure	343	233
Private Debt	115	72
Opportunistic Illiquid Credit	142	-
Corporate Bond Fund	426	390
Liquid Credit	153	-
Long Lease Property	142	67
Secured Income	323	194
Over 15 Year Gilts	74	143
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,534	1,979
Net Current Assets	44	6
Total Assets	5,825	5,561

14. Auditor's Remuneration

	2020 £	2019 £
Audit of these financial statements	7,376	7,231

HORIZON HOUSING ASSOCIATION LIMITED**NOTES to the FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)****15. Reconciliation of operating surplus to net cash inflow from operating activities**

	2020 £	2019 £
Surplus for the year	652,085	700,137
Depreciation of tangible fixed assets	1,472,947	1,434,484
(Increase)/Decrease in debtors	34,543	(63,533)
(Decrease)/Increase in creditors	431,592	(373,964)
(Increase)/Decrease in stock	1,727	(66)
Carrying amount of tangible fixed asset disposals	150,159	15,963
Proceeds from the sale of fixed assets	-	-
Government grants utilised in the year	(765,720)	(766,761)
Interest payable	220,064	233,650
Interest received	(3,073)	(2,167)
Cancellation of share	(19)	-
Pension costs less contributions payable	(157,152)	(146,109)
Net cash inflow from operating activities	<u>2,037,153</u>	<u>1,031,634</u>

16. Reconciliation of net cash flow to movement in debt

	2020 £	2019 £
(Decrease) in cash in year	462,156	(489,933)
Loan repaid	438,780	427,718
Change in net debt	900,938	(62,215)
Net debt at 1 April 2019	<u>(9,288,634)</u>	<u>(9,226,419)</u>
Net debt at 31 March 2020	<u><u>(8,387,697)</u></u>	<u><u>(9,288,634)</u></u>

17. Analysis of changes in financing during the year

	As at 1 April 2019 £	Cashflows £	As at 31 March 2020 £
Cash at bank and in hand	1,065,237	462,156	1,527,393
Debt due within one year	(480,200)	32,139	(448,061)
Debt due outwith one year	<u>(9,873,671)</u>	406,641	<u>(9,467,030)</u>
	<u><u>(9,288,634)</u></u>	900,936	<u><u>(8,387,698)</u></u>

18. Housing units

	2020	2019
General needs *	797	797
Shared ownership	29	29
Shared bedspaces	<u>44</u>	<u>44</u>
Total	<u><u>870</u></u>	<u><u>870</u></u>

* Included in general needs are 2 units which are currently in use as offices and 1 unit leased to Woman's Aid.

In addition, Horizon manages 11 units on behalf of Link Housing Association (2019: 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 2020 (continued)****19. 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.

One Board member is a tenant of the association and has a tenancy that is on the association's normal tenancy terms and they cannot use their position to their advantage.

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

	£
Rent received from tenant on the Board	5,932

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.

20. 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

21. 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.