STRICTLY PRIVATE & CONFIDENTIAL

Audit findings report

Issued to:

Horizon Housing Association

Year ended 31 March 2026

4 August 2026

Contents

Executive summary

Status and overview of the audit

Our audit progressed as planned and the work is substantially complete. We anticipate issuing an unmodified opinion on the financial statements.

Final materiality

Materiality presented in our audit plan was that of the prior year. The same benchmark, Net Assets, has been used. Materiality has been set as follows:

	2026	2025
Overall Materiality	£516,000	£459,000
Performance Materiality	£387,000	£344,000
Triviality	£26,000	£23,000

Unadjusted misstatements

There is one immaterial unadjusted misstatement in relation to capitalisation of Government Grant for Craigtoun Court Air Source Heat Pumps.

Unadjusted audit misstatements as proportion of materiality

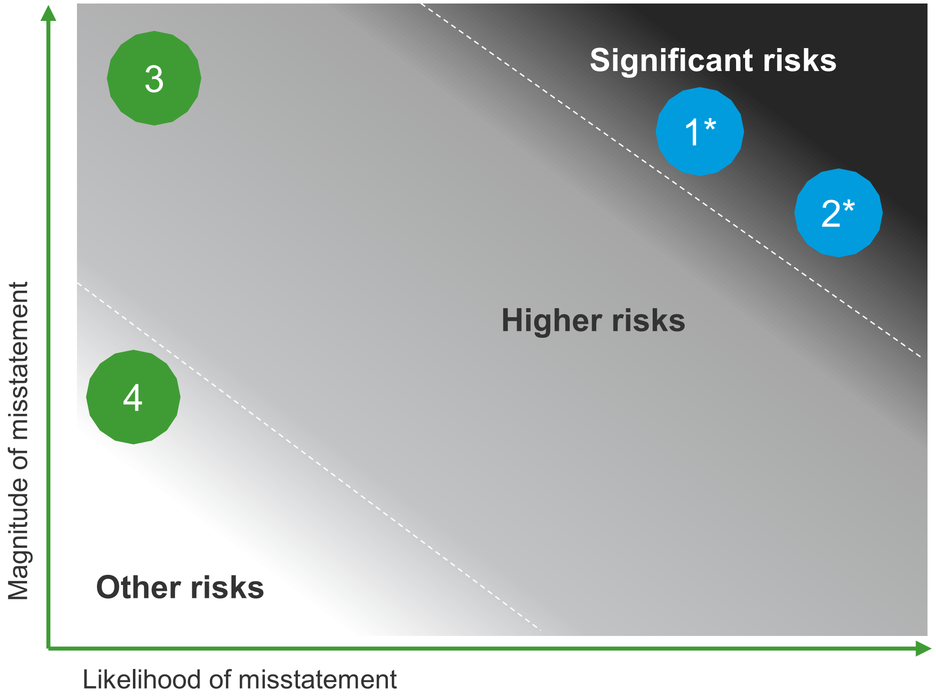
MATERIALITY
£516,000

Unadjusted audit misstatements – impact on Net Assets
£0

Key audit risk findings

(See Appendix for risk description and planned work)

We have set out below details of those areas that we considered to be the key audit risks arising when we presented our audit plan. There have been no changes to the risks identified.



* = ISA 240 'The auditor's responsibilities relating to Fraud in an audit of financial statements' identifies that there is a presumed fraud risk in relation to revenue recognition and management override of controls. As a result, these have been classified as significant risks.

Audit risks summary

Risk item	Risk identified	Change in risk
1	Management override of internal controls*	▶
2	Income recognition – specific income streams*	▶
3	Valuation of pension liabilities	▶
4	Going Concern	▶

Audit risks

Findings	
Management override of internal controls	Management override of controls is a presumed fraud risk under ISA (UK) 240 and was therefore treated as a significant risk within our audit approach. In addressing this risk, we obtained an understanding of the Group's financial reporting processes and controls relevant to Horizon Housing Association. We performed walkthrough procedures over key transaction streams to confirm that controls had been designed and implemented as described by management. No matters were identified from our walkthrough testing that would indicate deficiencies in the control environment or increase the risk of management override. In accordance with ISA (UK) 240, we performed specific procedures over journal entries and other adjustments recorded in the general ledger. Using our data analytics tool, Alteryx, the full journal population was risk profiled based on characteristics commonly associated with fraudulent financial reporting, including journal value, timing of posting, proximity to the year end, unusual account combinations, infrequent users, closing entries and other risk indicators. We selected samples from the higher-risk populations identified by the analysis and examined supporting documentation, business rationale, authorisation and accounting treatment. No inappropriate, unsupported or potentially fraudulent journals were identified from our testing. To obtain assurance over the completeness and accuracy of the journal population used for testing, we reconciled the opening trial balance, transaction listings and closing trial balance to the general ledger. This reconciliation confirmed that the journal population extracted for audit testing was complete and agreed to the underlying accounting records. We also considered whether there was evidence of management bias in significant accounting estimates and judgements made in the preparation of the financial statements. Key estimates ad judgements have been listed on page 9 and consist of pension actuarial assumptions, depreciation rates of components and management expenses allocation. Based on our audit procedures performed across relevant balances and disclosures, we did not identify indicators of bias, unreasonable assumptions or evidence of earnings management. Furthermore, through our audit procedures, including review of board papers, substantive testing and enquiry of management, we considered whether any material non-routine, unusual or significant transactions had occurred outside the normal course of business. We did not identify any such transactions that gave rise to concerns regarding the risk of fraud or management override. We reviewed relevant internal audit reports issued during the year and noted no significant control deficiencies or findings that would indicate an increased risk of management's ability to override established controls. **Conclusion** Based on the results of our journal entry testing, assessment of accounting estimates, consideration of unusual transactions and audit evidence obtained throughout the audit, we identified no evidence of management override of controls. We therefore conclude that the presumed fraud risk arising from management override of controls has been appropriately addressed and that no indicators of material misstatement due to fraud were identified.

Audit risks

Findings	
Revenue Recognition	ISA (UK) 240 requires auditors to presume that revenue recognition gives rise to a risk of fraud unless this presumption can be rebutted. In considering this risk, we assessed the nature of Horizon Housing Association's income streams, the incentives and opportunities for management manipulation, and the underlying processes for recording income. Rental income represents the Association's principal source of revenue and is generated from a large volume of recurring tenancy agreements operating through established housing management systems. We obtained an understanding of the systems and controls surrounding rental income and performed walkthrough procedures over key processes to confirm that transactions were initiated, processed and recorded as described by management. No deficiencies were identified that would indicate an increased risk of material misstatement arising from fraud. We performed substantive analytical review over rental income using expectation models based on the Association's housing stock, rental charges and occupancy information. We assessed the reliability of the underlying data used within our analysis and compared our independently calculated expectations to income recorded within the financial statements. Any differences identified were immaterial and consistent with our understanding of the business. We also performed substantive analytical procedures over the amortisation of deferred capital grant income and confirmed that income recognised during the year was in accordance with the requirements of the applicable accounting framework and the Association's accounting policies. No exceptions were identified. The remaining income streams were reviewed individually and collectively. We concluded that these streams were not material to the financial statements and did not exhibit characteristics that would give rise to a significant risk of fraudulent revenue recognition. We reviewed the Association's revenue recognition policies and assessed whether these were consistent with FRS 102, the Housing SORP and the underlying commercial substance of transactions. We confirmed that revenue had been recognised in accordance with the stated accounting policies and that the policies were appropriately applied in practice. **Conclusion** Based on our understanding of the nature of the Association's revenue streams, the absence of incentives or opportunities for material manipulation of rental income, the results of our substantive analytical procedures and our assessment of the accounting policies applied, we concluded that there was no evidence of material misstatement due to fraud in revenue recognition. Accordingly, the presumed fraud risk in revenue recognition under ISA (UK) 240 was considered appropriately addressed and rebutted for Horizon Housing Association.

Audit risks

Findings	
Valuation of Pension Liabilities	The defined benefit pension liability represents a significant accounting estimate due to the level of judgement inherent in the actuarial assumptions used to calculate the obligation and related scheme assets. We obtained the actuarial reports prepared by TPT Retirement Solutions and assessed whether the pension assets, liabilities and related movements had been recognised in accordance with FRS 102. We agreed the amounts recognised in the financial statements to the actuarial valuation reports and confirmed that the accounting treatment adopted by management was consistent with the requirements of the applicable financial reporting framework. We evaluated the key actuarial assumptions used in calculating the defined benefit obligation, including discount rates, inflation assumptions and future salary growth assumptions. We identified that the salary increase assumption was lower than our initial expectations and therefore performed additional enquiry with management. We obtained supporting forecasts and considered whether the assumption was reasonable in the context of the Association's future financial plans and current economic conditions. Based on the evidence obtained, we concluded that the assumption was supportable and that any potential impact on the valuation of the liability was highly immaterial to the financial statements and not reportable. We assessed whether there were indicators of management bias within the assumptions adopted and noted that the assumptions fell within a reasonable range when benchmarked against relevant market data and sector expectations. No indicators of management bias or unreasonable estimation uncertainty were identified. We reviewed disclosures included within the financial statements and agreed these to the TPT disclosure reports. We confirmed that the disclosures appropriately described the nature of the schemes, significant actuarial assumptions, sensitivities and associated risks in accordance with FRS 102 requirements. No exceptions were identified. We considered the ongoing legal case relating to benefits provided within the SHAPS scheme and the potential for additional liabilities to arise for participating employers. We reviewed management's assessment of the matter and confirmed that a contingent liability disclosure had been included within the financial statements. Based on the information available at the reporting date, we concluded that the disclosure appropriately reflected the uncertainty surrounding the matter. To obtain assurance over the valuation of scheme assets, we obtained independent confirmations directly from TPT Retirement Solutions and Northern Trust, the custodian of the SHAPS scheme assets. We agreed the total scheme assets and Horizon Housing Association's attributable share to the valuation data used by the actuary and performed reasonableness checks between the independent sources of evidence obtained. We identified only a trivial difference between the records and concluded that the value of scheme assets recognised within the financial statements was reasonable. **Conclusion** Based on the procedures performed, we obtained sufficient appropriate audit evidence that the defined benefit pension liability and related scheme assets have been appropriately valued and recognised at the reporting date. We concluded that the key actuarial assumptions adopted by management were reasonable, no evidence of management bias was identified, and the associated disclosures, including the SHAPS contingent liability disclosure, were appropriate. Accordingly, we concluded that the risk of material misstatement relating to the valuation of the pension liability has been appropriately addressed.

Audit risks

Findings	
Going Concern	We reviewed management's assessment of the Association's ability to continue as a going concern and considered whether any events or conditions existed that may cast significant doubt on its ability to continue operating for a period of at least twelve months from the anticipated date of approval of the financial statements. As part of our procedures, we reviewed the annual budget, detailed cash flow forecasts and the Association's five-year business plan, with particular focus on the period to 31 March 2028 and the going concern assessment period. We evaluated the key assumptions underpinning the forecasts, including projected rental income, operating expenditure, planned capital expenditure, liquidity requirements and covenant compliance. We found these assumptions to be reasonable and consistent with our understanding of the Association's operations and strategic plans. We assessed the mathematical accuracy and internal consistency of the forecasts and compared forecast performance against historical results where appropriate. No matters were identified that would indicate management's forecasts were unreasonable or unsupported. We also performed sensitivity analysis over key assumptions within management's forecasts to assess the potential impact of plausible downside scenarios. The results of this work demonstrated that the Association maintains sufficient liquidity and financial headroom under the scenarios considered and no indicators of a material uncertainty relating to going concern were identified We reviewed the Association's liquidity position at 31 March 2026 and considered available funding facilities and cash resources. Based on our review, the Association's forecast cash resources are sufficient to meet its operational requirements and financial obligations as they fall due throughout the assessment period. Subsequent to the year end, the intercompany loan provided by Link Group was renewed. We reviewed the revised loan agreement, including repayment terms noting this is long term and no significant repayments are required in the next 12 months. The loan is classified at year end as the loan hadn’t been extended at the year end date. Accordingly, we did not identify any indicators that the financing arrangements give rise to a material uncertainty relating to going concern. We reviewed the going concern disclosures included within the financial statements and confirmed that they appropriately reflect management's assessment and are consistent with the underlying audit evidence obtained. **Conclusion** Based on the procedures performed, we have not identified any events or conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Association's ability to continue as a going concern. We conclude that management's use of the going concern basis of accounting is appropriate and that the related disclosures within the financial statements are adequate and consistent with the requirements of FRS 102.

Qualitative aspects of accounting

Management judgements and accounting estimates

The following areas are considered to be the principal management judgements and estimates. The graphic below visually represents the impact (lower or higher) on the financial statements of a change in management's estimate. In overview, a reasonably possible change in estimate that has a low impact means that such a change will have limited impact on the financial statements.

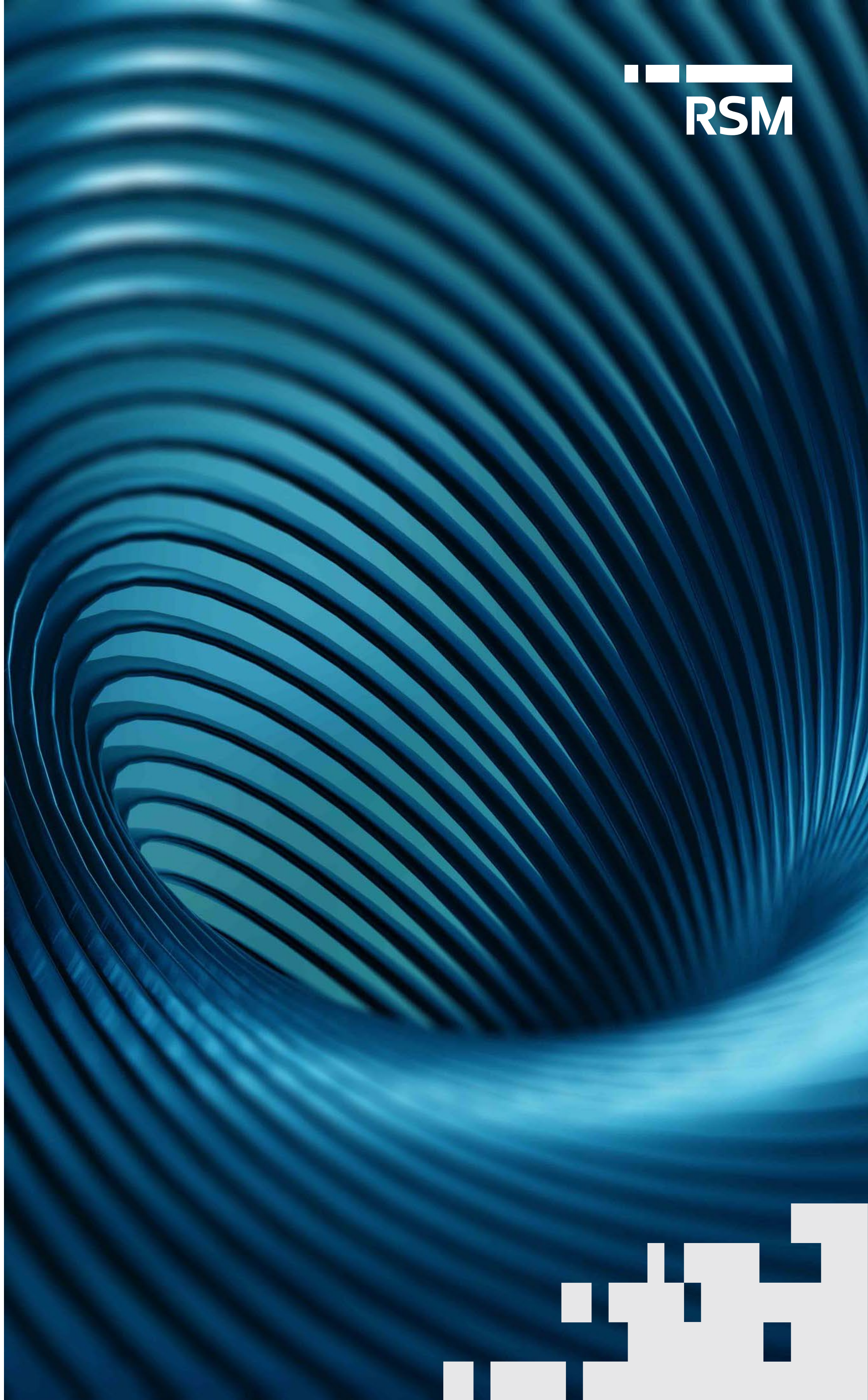
Areas of judgement / estimate	Low impact		High impact
Apportionment of cost of housing properties between constituent components	■		
Bad debt provision for rental arrears	■		
Depreciation rates and useful lives of components		■	
Apportionment of management expenses		■	
Actuarial assumptions for defined benefit pension obligation			■

Recommendations on controls

We have not identified any recommendations on internal controls during the course of our audit work.

This is not to say there are no internal control matters or improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed.

An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.



Appendix

Summary of misstatements

Our unadjusted misstatements and impact on net assets have been shown below. There were no adjusted misstatements made.

Factual misstatements			
Account	**Profit & loss (£)**	**Balance sheet (£)**	**Description**
Dr Fixed Assets - Additions		77,760	Being the capitalisation of the Scottish Government Grant for Craigtoun Court Air Source Heat Pumps
Cr Deferred Grants - Additions		(77,760)	
Total	-	-	

Financial statement disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards and the requirements of the Housing SORP.

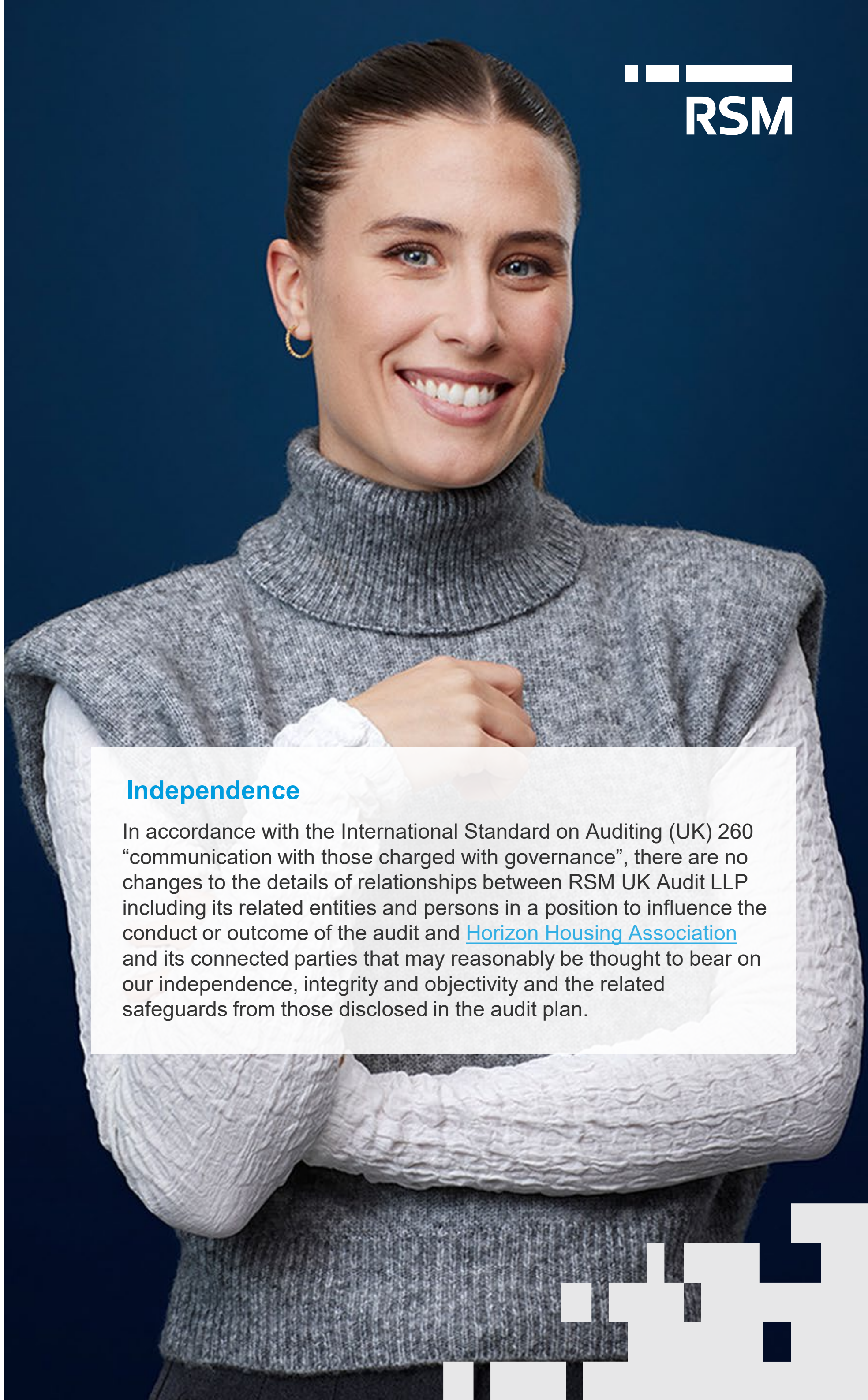
The following disclosure matters were brought to your attention. We will check if they have been corrected in the final financial statements.

Unadjusted disclosures	Adjusted disclosures
Specific detail on risk mitigation suggested to be included in the Report.	Updates to the “Report of the Board of Management” to highlight key items and make reporting clearer regarding the loan and pension movements and KPIs.
	Added definition of KMP to note 6 and potential correction to the KMP banding suggested.
	Suggested correction to Note 14 Government grants released in 2-4 years.
	Note 18 was updated to include the recent updates to the Virgin Media vs NTL Pension Trustee II Limited case.

Other matters to be reported

Representations requested

We will not be seeking specific representations from the Board on any matters in addition to those representation which we request on all audit assignments (http://www.rsmuk.com/standard-representations).



Independence

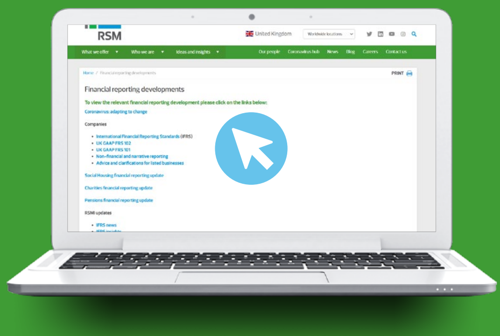
In accordance with the International Standard on Auditing (UK) 260 “communication with those charged with governance”, there are no changes to the details of relationships between RSM UK Audit LLP including its related entities and persons in a position to influence the conduct or outcome of the audit and Horizon Housing Association and its connected parties that may reasonably be thought to bear on our independence, integrity and objectivity and the related safeguards from those disclosed in the audit plan.

Financial reporting updates

Financial reporting updates

A full list of financial reporting updates can be found by clicking the link below:

Please click here



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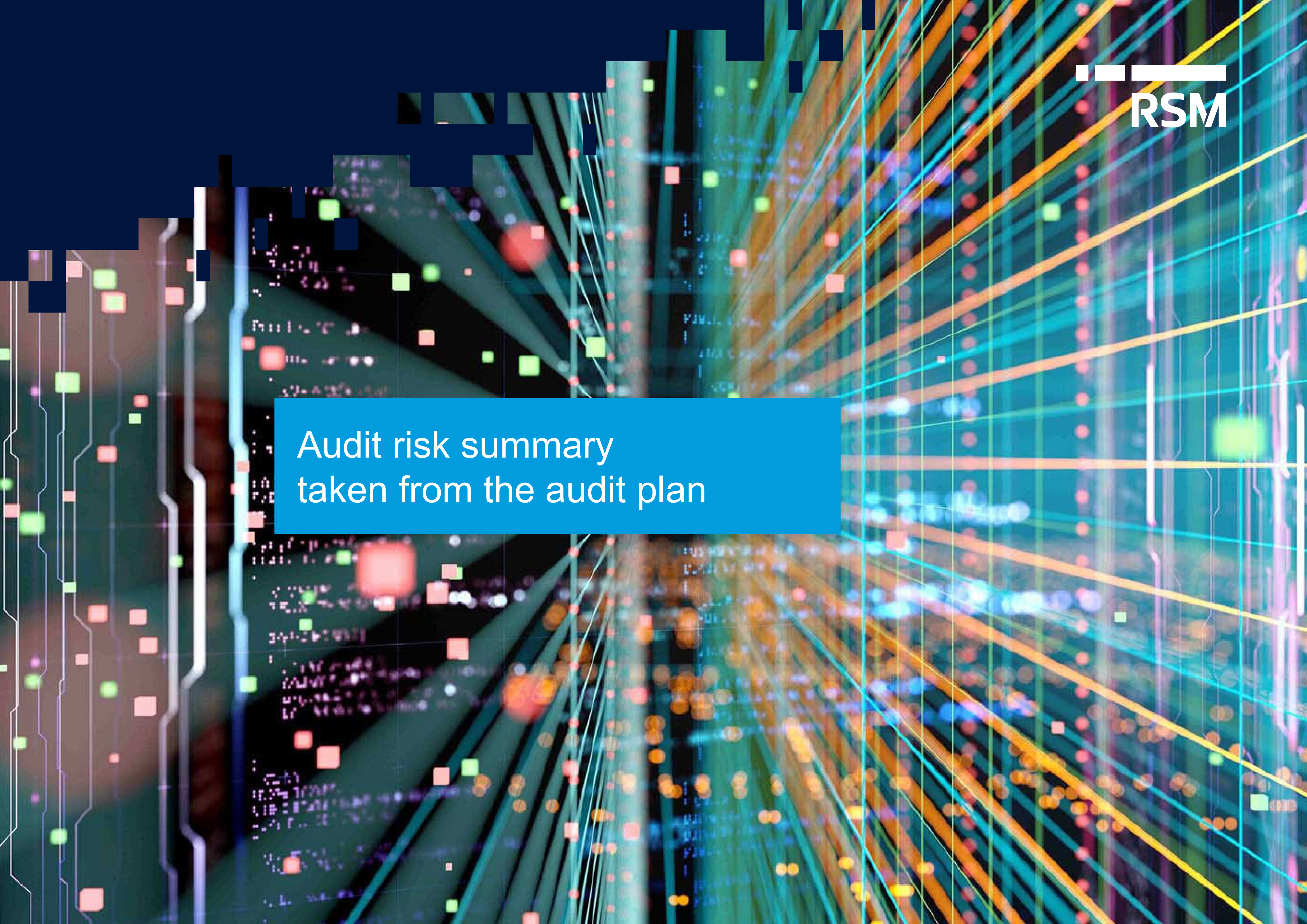

Audit risk summary taken from the audit plan

Audit risk summary (continued)

Risk	Description	Response
Management Override of internal control	This is a key area of focus for all audits where the management of an organisation differs from those charged with governance, which is the case across Link Group and its partners. Systems of internal control are designed to mitigate inherent risks of error within the core control systems to an acceptable level. By nature, a management override or bypass of controls cannot be eliminated by the implementation of controls and therefore as part of our audit we will perform additional tests of detail to address this risk. There can be no controls over this risk, and this is specifically stated in International Standards on Auditing 240.	As part of our audit we will: • Update our documentation of the key financial systems and perform walkthrough testing to consider if the key processes and controls are operating correctly and that segregation of duties appears appropriate. We will specifically consider the impact of the new P2P system and of continuing to move processes from West Highland Housing Association into the central finance team's control on the control nvironment. We will highlight any recommendations for improvement to systems in our Final Audit Findings. • Review journal processing noting how journals are processed and reviewed and the general nature of journals processed within the Group. We will then test a sample of journals made in for all entities using data analytics and assigning a risk-based score based on several inputs including for example the time and date of posting, the frequency of posting from that user and other categories we consider relevant. We will investigate and seek to understand any journals that appear to be unusual, have a higher risk score or appear to represent the reversal of a transaction. • Review significant accounting estimates and judgements, including estimates impacting the valuation of pension liabilities (discussed in more detail overleaf) and investment property valuation, which could involve bias resulting in a material misstatement. • Discuss the basis and business rationale for any significant non-routine or contentious transactions which come to our attention during the course of our audit and will fully report the outcomes of our testing in our audit findings report. • Review the accounting for the transfer of Link Housing Association into Link Group entities. • Review the work of internal audit and consider the effect of any weaknesses identified on our work or where we can take reliance from this in terms of potential override of internal controls.

Audit risk summary (continued)

Risk	Description	Response
Income Recognition	Across the Group there are several different income streams, including but not limited to: • Rental and service income • Private sector leasing income • Grant income • Factoring income • Care and repair income • Income from contracted out services for other organisations There is a presumed risk of fraud in revenue unless we are able to rebut this presumption, therefore some of the income streams will be significant risks where we are unable to rebut this presumption and our sample sizes will be adjusted accordingly. . Furthermore, given the Group comprises a mix of Registered Social Landlords, companies and a charity, the financial reporting framework applicable will differ between each type of entity which in turn will impact the income recognition criteria applicable and the inherent risk associated with this. This factor, combined with the quantity of income streams, increases the risk of material misstatement.	As part of our audit we will: • Update our documentation of your controls and perform a walkthrough of your key income streams to consider if the processes and controls are operating correctly. • Carry out analytical review over rental and service income, and the release of deferred capital grants for the Registered Social Landlords by utilising rent and grant reports and unit numbers to calculate an expected income total and we will investigate any significant variances from the actual income recorded. • For Linkliving and West Highland Futures we will make use of our data analytics software to produce analysis showing relationship mapping between postings to income and other related areas such as debtors, cash receipts, accrued or deferred income and investigate relationships out with the expected postings. We will sample test items of income back to supporting documentation confirming that the items are recorded at the correct amount and in the correct accounting period. We will test a sample of income postings to the bank receipt. • Carry out detailed substantive testing over all other income balances by agreeing to bank receipt and third party supporting documentation, except for rental and service income, and the release of deferred capital grants within the Registered Social Landlords, to gain further comfort over the accuracy and valuation of income recognition. • Review cut-off procedures in the period leading up to and immediately after the year end to consider whether income is recognised in the correct accounting period. • Review your income recognition policies and consider whether these are reflective of actual practice and are appropriately disclosed in the financial statements.

Audit risk summary (continued)

Risk	Description	Response
Valuation of pension liabilities	Link Group, Larkfield, Horizon and West Highland participate in the Scottish Housing Associations' Pension Scheme (SHAPS). TPT prepare the valuations report, which includes FRS 102 disclosures, and we understand that management employ Spence & Partners to perform an independent review of the valuation report and the underlying assumptions. The actuarial assumptions used contain a high degree of judgement and estimation making the balance more susceptible to fraud and error.	We will: • Assess the independence and competence of management's expert, Spence & Partners, to provide additional comfort over the review process in place. We will also review Spence & Partners consideration of the valuation and assumptions. • Obtain the valuation reports produced by TPT and review the reasonableness of the methodology, data and assumptions used, comparing these estimates to independent third-party sources. • Ensure that the valuation is recognised in the financial statements correctly and that the disclosure within the financial statements is accurate and complete.

Audit risk summary (continued)

Risk	Description	Response
Going Concern	The sector as a whole is facing challenges around costs linked to high inflation and ability to carry out works; particularly for developing RSLs such as Link – the costs to develop are substantially increasing. There is also pressure on staff costs from changed in National insurance and pay settlement negotiations. At the same time there is the continued pressure to keep rent as affordable as possible, given the ongoing impact of the cost-of-living inflation. Whilst the ongoing operation of the business is not noted as a risk, the risk remains compliance with banking covenants, as a breach of these legally entitles the funders to reclaim their funds; which would cause substantial doubt on the going concern assumption. We are aware that the covenants changed to an EBITDA basis during the prior year as planned, which has provided increased headroom in the covenants calculations. From discussions with management, we are aware the entity currently has sufficient headroom in the covenants, and therefore any material impairments or adjustments could result in a breach of covenants. A key consideration for going concern is to ensure that the group are not over-committed to funding new developments with insufficient loan facilities arranged with funders. The base plan approved by the Board includes further funding drawdowns within FY26 and 27 which is all covered by existing facilities. We also note that the majority of Link Group's external loan funding is at a fixed rate making the interest charge more predictable and easier to manage for the treasury team. We are also aware that the loan from Link Group to Horizon Housing Association is due for repayment within the going concern period and refinance options are still to be finalised by the Horizon Board. As a result, there is the potential Link Group will need to provide a letter of support to Horizon Housing Association to provide financing in the event no formal refinance takes place before audit sign off. As a result, going concern is a specific risk to the audit, however due to the stabilising inflation rates and predicted decrease in UK interest rates, coupled with headroom in covenant calculations we do not determine this to be a significant or higher assessed risk. *Guidance, released by the FRC, which may be helpful in management forming their assessment, can be found here.* *In addition, the implementation of ISA 570 (UK) Revised Going Concern has resulted in enhanced risk assessment and greater challenge and work effort to be performed by us, when evaluating management's assessment in relation to going concern. Further details of the changes to the standard can be found here.*	As part of our audit we will consider for each entity: • The forward-looking assumptions used by management in their assessments relating to going concern, in particular those in relation to operating costs. • Management's sensitivity analysis, including the key assumptions such as rent increases, future inflation and interest rates. A key focus here will be the impact of economic uncertainty on future costs and on rent arrears. • Management's scenario analysis and contingency plans. • Supporting evidence provided by management for their assumptions, and related disclosures, and challenge evidence where necessary. • Appropriateness of related disclosures in the financial statements, depending on the degree of sensitivity to changes in assumptions and whether there is a significant risk of causing a material adjustment to the carrying amount of assets and liabilities. • Consistency, adequacy, and specificity of disclosures in the Board Reports in respect of principal risks and uncertainties and future plans. • Consideration of any intra-group support requirements, particularly on intra-group loans. • Whether adequate funding agreements are in place for planned developments and that there have been any breaches in loan/banking covenants and check considerations of these going forward. In addition to the above, we will consider implications, if any, for our audit reports. We will also seek written representations from management about their plans for the future and the feasibility of these plans.

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Our report is prepared solely for the confidential use of those charged with governance of Horizon Housing Association and solely for the purpose of explaining the scope and timing of the audit, and to highlight the significant risks and other audit areas that we have focused our audit work upon. It should not be shared with any third party without our express consent. If it is shared with a third party, it should not be relied upon, and we assume no responsibility to them.

For the avoidance of doubt, the auditor is not required to design audit procedures for the specific purpose of identifying matters of governance interest, nor does the audit relieve management or those charged with governance of their responsibilities. Throughout this document the terms partner and principal are interchangeable.