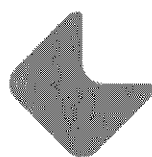


LINK GROUP LIMITED



LINKGROUP

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2013

**Industrial Provident Society and Financial
Services Authority Registration No: 1481R(S)
Scottish Charity No: SC001026
The Housing Regulator No: HAL 148**

REPORTS AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

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LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS

BOARD OF MANAGEMENT

P Foreman (Chairman)	J Hinton
R Stirrat (Vice-Chairman)	J O'Neill
E Banks	C Macneill
A Colston	B Reidford
A Currie	R Robertson
C Donaldson	D Wilson
D Esslemont	M McBride (appointed February 2013)
A Smith (appointed January 2013)	

CHIEF EXECUTIVE AND DIRECTORS

Chief Executive	C Sanderson
Director of Finance and Corporate Services/Company Secretary	J N Hall
Director of Development & Asset Management	C Culross
Director of Human Resources	H Bayne
Director of Housing Services	M B Middleton
Director of Housing Support Services	E Johnston

AUDITOR

Scott-Moncrieff

BANKERS

Bank of Scotland

SOLICITORS

Burness Solicitors LLP

FUNDERS

Royal Bank of Scotland	Lloyds Banking Group
Dunfermline Building Society	Santander Corporate Banking

REGISTERED OFFICE

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Edinburgh
EH14 1RL

WEB SITE

www.linkhousing.org.uk

E-MAIL

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LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the Group accounts for the year ended 31 March 2013.

PRINCIPAL ACTIVITY

The principal activity of the Group is to provide housing, management and support services to meet a range of housing needs.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Financial Performance

Link Group Limited ("Link" or the "Association") achieved a surplus for the year of £3.3M (2012 £3.2M).

Included in the 2012 surplus was an amount of £1.3M as an Exceptional Item, being the settlement in Link's favour of a contractual dispute. The level of surplus achieved in 2013 reflected a balance of increased income and reduced Operating Costs, which amounted to approximately £1.6M in total, and which compensated for the non recurrence of the Exceptional Item.

Turnover increased by approximately 3.4% to £26.8M and Operating Costs reduced by 3.4% to £21M. The income from Social Letting Activities increased by 7.6% (increasing income by £1.7M) and this reflects rent increases applied in April 2012 and rents received from new build completions during the year. The Turnover from Other Activities reduced by £0.8M in total particularly reflecting the reduced number of properties Link developed for New Supply Shared Equity sale. This income alone fell by £1.1M.

The decrease in income from Other Activities is offset by an increase in Gift Aid from subsidiaries to £0.2M. What is also recorded as income to Link Group Limited is the income received for Wider Role Activities (£0.4M). Included in Operating Costs is the expenditure on Wider Role Activities (£0.9M) and expenditure on Reactive Maintenance, Planned and Cyclical Maintenance and Major Repairs, the cost of which was £6.3M in 2013 (2012, £6.1M) The total investment in 2013 on all maintenance activities was £10.6M (2012, £10M), £3.6M of which was treated as capital expenditure.

Annual expenditure on Planned and Cyclical Maintenance and Major Repairs is derived from a 30-year investment model designed to ensure all Link's properties are maintained to a specific standard, thereby continuing to extend the useful life of the properties. The investment model takes account of the life cycles of individual components and generates an annual spend profile across all of Link's stock.

Link's investment in planned maintenance and major repairs will ensure that it meets the Scottish Housing Quality Standard by 2015. The investment programme is influenced by Link's Asset Management Strategy, which assesses when it will be appropriate to carry out whole refurbishment of properties and/or consider other re-development opportunities, rather than a continual cycle of building component replacement.

Despite the significant Planned Maintenance investment in its stock, Link is required by the Statement of Recommended Practice to depreciate its Housing Properties and Retained Surpluses are calculated after providing for Depreciation of £4.1M in 2013 (2012, £3.8M)

At 31 March 2013 Link's total reserves amounted to £41.8M, an increase of £2.5M from 2012. The increase in reserves is solely attributable to the Surplus achieved. In addition to providing funds for re-development, these reserves are required to support the planned maintenance investment programme (if required) and provide a hedge against risk. Included in the £41.8M of total reserves, the Designated Reserve for Future Maintenance amounted to £16.4M (2012, £16.4M).

Link has continued to participate in an initiative designed to assist first-time buyers on low incomes in central Scotland through the provision of shared equity grants. The scheme (Open Market Shared Equity Scheme) is promoted by the Scottish Government and operated by Link. The grants are repayable when the property is sold and are repaid in proportion to the original purchase price, by reference to the value of the property when ultimately sold. The grant repayment is returned via Link to the Scottish Government.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

Financial Performance (continued)

In addition to the Open Market Shared Equity Pilot Link has developed and sold a number of shared equity properties under an initiative entitled "New Supply Shared Equity". With both these initiatives Link accounts for grants received from the Scottish Government as Creditors and grants paid to Shared Equity buyers as Debtors. The cumulative grants paid out to successful applicants amounted to £125.8M at 31 March 2013 (2012, £109.3M).

The consolidated results of the group reflect the results of Link's subsidiary companies, which includes two other Registered Social Landlords, Horizon Housing Association and Larkfield Housing Association. The total retained surplus of the group amounted to £4.2M (2012, £3.9M). The Board welcomes the contribution by the subsidiaries.

Investment and Financing

During the year Link invested £30.1M (2012, £26M) in new properties for rent and sale on a shared ownership basis or shared equity basis across the central belt of Scotland and on replacement of building components. This expenditure was partly financed by Housing Association Grant (HAG) of £8.5M (2012, £13.1M) with the balance funded by income from property sales, cash flow and loans drawn from Link's loan facilities.

The increase in investment in new properties in 2013 reflected expenditure on the significant number of projects receiving grant approval from the Scottish Government. During 2012/13, Link completed 299 properties comprising 248 for Social Rent, 12 properties to be sold on a Shared Equity basis, 15 shared ownership properties, 8 completed for a local authority and 16 properties to be let at Mid Market Rents.

In March 2012 Link concluded a Loan Agreement with the Royal Bank of Scotland for £20M to provide the development period finance for the new build housing programme under construction. At March 2013 Link had drawn £9M under the facility and has £11M available to drawdown. As the banks, the traditional lenders to the RSL sector, are no longer able to provide long term loans, Link like many other RSLs, is investigating bond finance either through borrowing from one of the bond aggregator vehicles (who raise large sums on the bond market and on-lend to RSLs) or agreeing a Private Placement with investors. It is expected Link will raise funds through one of these methods during 2013/14.

Link's Treasury Management policy aims to maintain approximately 50% to 80% of Link's borrowings on fixed interest rates, maturing over a rolling period, as a hedge against adverse movements in variable interest rates. At March 2013, 54% of Link borrowings were subject to long-term fixed interest rates, with the remaining 46% mostly on short term variable rate loans.

In addition to stock required as security for its current borrowings, Link has a large proportion of housing stock available to be used as security for future borrowing (the housing stock is valued on an Existing-Use Basis – Social Housing and reflects the value of the net rental stream over a 30-year period taking account of management costs and all projected repairs required). Link's current development programme will be financed from the existing loan facility, therefore (when completed) these properties will also be available as security for future borrowings.

Link has a continuing, substantial investment programme. Its target is to complete approximately 150 properties per annum for rent and low cost home ownership/shared ownership/ shared equity over the 5-year business plan period 2013/14 to 2017/18.

It is anticipated that the amount of grant per property will continue to be restricted to at least current levels or potentially even lower. The substantial reduction in the grant levels continues to create considerable pressure to build new properties for social rent. Accordingly many RSLs are developing properties at more economic rent levels called Intermediate Rent or Mid Market Rent (MMR). Whilst these MMR or Intermediate rents are normally set at 80% of the Local Housing Allowance levels (used as part of the calculation to entitlement to housing benefit) they are substantially higher rents than traditional social rents. Link remains committed to exploring all funding options to try as far as possible to continue to develop properties for social rent but this

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

presents a major financial challenge.

Operating Performance

Link's Customer Service Centre (CSC) operates from office premises in Callendar Business Park, Falkirk. The CSC consolidates service delivery and centralises administrative functions relating to housing and maintenance services, allowing area office staff more time to operate directly in the community.

The CSC is part of the main operating base of Link Housing Association (LHA) Limited. LHA is a subsidiary company which carries out all the housing management functions for Link Group Limited including the management of the social rented housing, mid market rent, shared ownership and the shared equity sales functions. LHA also continues to provide a comprehensive Private Sector Leasing service for the City of Edinburgh Council which involves the management of over 1,700 properties, let to applicants who were previously homeless.

Link Group's Board sets performance objectives and this includes objectives for LHA in terms of service delivery and housing management performance. The performance of LHA and the other subsidiary companies are monitored on a quarterly basis. Despite improvements in repairs service delivery this is an area which the Board continued to monitor closely and has explored ways in which to improve repair response times and customer satisfaction generally with the repairs service.

During the year the Board agreed to set up an In House Trades Team to undertake the majority of the Reactive Repairs for Link (at least in the first instance). The service will be progressively implemented across Link's three main customer bases throughout Central Scotland commencing with the first phase in 2013/14. Whilst cost benefits may ensue the Board was clear that the primary drivers were to improve quality of service and customer satisfaction with that service.

Link also monitors group performance against peers and other RSLs which form part of the Scottish Housing Best Value Network benchmarking group. The Board is satisfied that Link has performed favourably compared to other housing providers and has achieved acceptable results compared with its peers and also compared to all RSLs generally. In addition, the Board has monitored Link's financial and operating performance against key targets in Link's Business Plan and is confident that not only has Link performed well but also it has more than comfortably achieved lending covenants.

Group Strategy

Each year Link's Board sets strategic objectives for the group and it consults the subsidiary companies about these. Following agreement to the Strategic Objectives, the Board also consults the subsidiaries about setting key objectives and targets for forthcoming financial years. The subsidiaries add to these objectives and targets and prepare business plans which are submitted to the Group Board for approval prior to the beginning of the financial year.

In its business plan, Link has focused on targets related to growth of the organisation - not only in terms of units and services provided but also in improving service delivery. Link has committed substantial resources to expanding the development programme, attracting other RSLs to join the group and maximising procurement efficiencies. Link has also re-affirmed its commitment to ensure continued development of efficient, quality services and has committed resources to support subsidiaries to expand and diversify service provision.

Group Structure

Link has charitable status and is a Registered Social Landlord (regulated by The Scottish Housing Regulator) and is the parent company to eight subsidiaries (a number of which are dormant companies). The results of the subsidiaries are included in these accounts and reflected in the Consolidated Income and Expenditure account and Consolidated Balance Sheet. The purposes and constitutions of the subsidiaries are dealt with in a note to the accounts.

Larkfield Housing Association and Horizon Housing Association (both of which also have charitable status) are

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

the other Registered Social Landlords in the group. As RSL subsidiaries, Larkfield and Horizon have retained their assets, names and identities. Link has the power to appoint the majority of the Management Committee members and the circumstances where Link would exercise that power are dealt with in the Independence

Agreement which governs the relationship between Link and these RSL subsidiaries.

All other members of the group are wholly owned subsidiaries of Link Group Limited and it appoints the Board Members of subsidiary companies on the recommendation of the subsidiary company's Board. The Chairperson of each subsidiary is normally a member of the Link Board, some members of which are also members of the Boards of the subsidiary companies; although in no case does the majority membership on these Boards consist of Link Group Limited Board Members.

Each subsidiary has entered into an Independence Agreement with Link. This document preserves the independence of the subsidiaries and sets out the respective responsibilities of the subsidiary and the parent. The Independence Agreement confirms the processes and procedures each party will conform to and the basis upon which services will be provided between the parties.

Business Outlook

Link has a strong development programme and is committed both to growth in its services to customers and attracting other RSLs to join the group. In addition to completing the current substantial development programme Link actively seeks to source and fund the purchase of sites for housing development, to safeguard future housing supply. Despite a number of RSLs either deciding to cease providing new affordable housing (or being unable to do so in the current financial environment) Link is confident that it can continue to develop and meet the housing need particularly in areas where there is a severe shortage of affordable housing options.

Despite the reduction in new project grant funding in recent years Link expects to be able to continue to provide affordable housing, covering a range of tenure types, to people with a variety of housing needs. Link has substantial expertise in delivering development solutions and has the financial strength and capacity to work closely with the Scottish Government and others to continue to provide affordable housing in what is expected to be an extremely challenging financial environment.

Whilst Link seeks to provide more affordable homes, its Board is acutely aware that it has a duty of care to ensure that the position of existing tenants is not compromised and that these tenants continue to receive a high quality service at affordable rents. As such Link's 30-year financial projections centre on ensuring that Link remains financially viable in the long term and can meet all its obligations in service delivery and maintenance upkeep of each tenant's home.

A major challenge being faced by all social housing providers is the introduction of welfare reform changes. These changes will restrict benefits, including housing benefit, to claimants and there are real concerns about the effect the changes will have on tenants' ability to meet their rent payments. Link has invested considerable time in evaluating and assessing the probable impact of the changes in terms of rent arrears and potential bad debts and is confident that its Arrears Management Policies and Procedures will enable Link to cope with the challenge. Additional staff have been deployed with existing Housing field staff to ensure Link is adequately resourced to respond to the effects of welfare reform.

Board and Directors

The Board consists of up to 15 members elected at the Annual General Meeting. Board members serve on various committees (as described in the Statement on Internal Financial Controls) set up to manage Link. Current membership of the Board is set out on page 1. Board membership at March 2013 (and at the date of this report) stood at 15 Members. Each Board Member holds one fully paid share of £1 in Link. The Directors of Link (who are staff members) have no beneficial interest in its share capital and they act within the authority delegated by the Board of Management.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

Equality and Diversity

Link is committed to creating an environment where people are valued and given equal opportunity to employment and services. We are guided by our values and our Equality & Diversity Policy, and our Equality & Diversity Group meets regularly to oversee the achievement of action plans across the group. Link is working towards Investors in Diversity and we will continue to support our staff and board members in further developing our approach to equality and diversity.

Employee Involvement

Link employed 482 staff (2012, 458) across the group on average throughout the year. 88 staff members (2012, 87) are employed in Link Group Limited.

Link's employee involvement covers a wide range of methods from the formal recognition of the UNITE union, to employee information and consultation groups, working parties and project groups. Regular team and one-to-one meetings with staff ensure that communication is of good quality, and that these meetings supplement the monthly Core Brief emanating from the Board meetings and the monthly staff newsletter.

Link's employee involvement, learning and development activities and well-being initiatives have been acknowledged through achievement of Investors in People Gold award and Healthy Working Lives Gold.

Basis of Preparation of Accounts

Link is in a strong financial position and based on its business plan and financial projections it will continue to be in such a position for the foreseeable future, and certainly for the next 12 months. Accordingly, the preparation of the accounts on a going concern basis is appropriate.

Auditor

A resolution to re-appoint Scott-Moncrieff, as Auditor of the Association will be proposed at the Annual General Meeting to be held on 27 August 2013.

As far as each of the members of the Board at the time the report is approved is aware:

- there is no relevant information of which Link's auditor is unaware; and
- the members of the Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

BY ORDER OF THE BOARD



J N Hall, FCCA
Secretary

9 July 2013

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS

Internal Financial Control

The Board is responsible for establishing and maintaining Link's system of internal financial controls. Internal control systems are designed to meet Link's particular needs and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Board has established with a view to providing effective internal financial control are as follows:-

Corporate Governance

Link follows the Regulatory Code of Governance published by the Scottish Housing Regulator and the Board continues to be satisfied that Link complies with the Regulatory Code of Governance.

Management Structure

Link, for which the Board has overall responsibility, is governed by a set of Standing Orders, which reserves specific powers to the Board and delegates functions and powers to its Sub-Committees. The Board operates with two Sub Committees, the Audit and Risk Committee which is scheduled to meet three times a year, and the Appeals Committee which only meets if there are appeals against disciplinary matters. Board meetings are structured to focus on development orientated business every second month, with other business including quarterly performance monitoring normally being dealt with at every other monthly meeting.

The remit of the two Sub-Committees is further described later in this statement.

Policies

Link has up to date policies in place for all areas of the business. The Policy Manager (supported by the Strategy and Business Support team and Link's Policy Forum) co-ordinates the policy review process across the group and during the year the Board approved a number of revised/updated policies in accordance with the policy review timetable. All Link policies are available to staff through the intranet. Link also publishes customer-related policies on its web page.

Procedures Manuals

Responsibility levels are set out in detailed procedures manuals. These communicate Link's ethos, delegation of authority and authorisation levels, segregation of duties and other control procedures together with accounting policies and procedures. The manuals are updated regularly.

Quality and Integrity of Personnel

The integrity and competence of staff is ensured and maintained through high recruitment standards and subsequent training courses. In addition Link operates a performance management framework incorporating quarterly staff performance reviews and annual appraisals and setting a training and development plan for all staff.

A number of training programmes have also been delivered to all staff and Link's Leadership Development Programme has been completed for all line managers across the group. Well trained and qualified staff are seen as an essential part of the control environment and the ethical standards expected of staff are embodied within Link's ethos and in the Staff Code of Conduct.

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (Continued)

Identification of Business Risks

The Board is responsible for identifying the major business risks faced by Link and for determining the appropriate course of action to manage those risks. Major business risks and their financial implications are assessed by reference to established criteria.

The financial implications of major business risks are controlled by means of delegated authorities which reserve significant matters to the Board for decision, segregation of duties in appropriate areas and physical controls over assets and access to records.

Management Information Systems

Management information systems have been developed to provide accurate and timeous data on all aspects of the business. Management accounts comparing actual results against budget are presented to the Board monthly together with a balance sheet and performance against key financial indicators. Reports accompanying the accounts also provide information on Link's borrowing, investment and recoverability of debts due.

Internal Control Systems

The Board monitors the operation of the internal financial control system by considering regular reports from management and the external auditor and ensures appropriate corrective action is taken to address any reported weaknesses.

Internal Audit

Internal Audit services are provided by an experienced Internal Audit company. The audit workplan is generated from a detailed Audit Needs Assessment which is based upon a systematic risk assessment of Link's operations and activities. The Internal Auditor reports to the Chief Executive and to the Audit Committee.

Audit and Risk Committee

The Audit and Risk Committee has up to seven members and monitors the controls which are in force and any perceived gaps in the control environment. This is achieved through reports to the Committee from the Internal Auditor and on Risk and Compliance matters. The Committee also considers and determines relevant action in respect of any control issues raised by the internal or external auditors.

Appeals Committee

The Appeals Committee has up to five members and its function is to hear staff grievance and disciplinary appeals. It meets only when required.

Health & Safety

The Board is committed to the provision of a healthy and safe working environment. Link endeavours to eliminate hazards where recognisable, including the risk of fire, security losses, damage to plant, property and the environment, thus significantly reducing the risk of personal injury or occupational ill health to all personnel. The Health & Safety Committee (a staff group) oversees Link's risk assessment programme and regularly reviews the policy. Link's full-time Health and Safety Officer works closely with the Health and Safety Committee.

Statement

The Board has reviewed the effectiveness of the system of internal financial controls which has been operating during the year and beyond. No weaknesses have been found which resulted in material losses, contingencies or uncertainties that require disclosure.

LINK GROUP LIMITED

STATEMENT OF RESPONSIBILITIES OF THE BOARD OF MANAGEMENT IN RESPECT OF THE GROUP ACCOUNTS

Legislation requires the Board of Management to prepare group accounts for each financial year which give a true and fair view of the state of affairs of the Association and the group, and of the income and expenditure of the Association and the group for that period. In preparing those accounts, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Board is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the group's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the group's books of account and transactions. The Board is also responsible for ensuring that arrangements are made to safeguard the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LINK GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LINK GROUP LIMITED

We have audited the financial statements of Link Group Limited, (the Association), and the consolidated financial statements for the year ended 31 March 2013 which comprise the consolidated income and expenditure account, the consolidated statement of total recognised gains and losses, Link Group income and expenditure account, Link Group's statement of total recognised gains and losses, consolidated balance sheet, Link Group balance sheet, consolidated cash flow statement, Link Group cashflow statement and related notes. The financial reporting framework that has been applied is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting by Registered Social Housing Providers issued in 2010.

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them 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 and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of board of management and auditor

As explained more fully in the Board of Management Responsibilities statement set out on page 9, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Management to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group and the Association's affairs as at 31 March 2013 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting by Registered Social Providers issued in 2010;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012 as issued by the Scottish Housing Regulator.

LINK GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LINK GROUP LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the group has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.


Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 7 to 8 on the Association's compliance with the guidance given in Raising Standards in Housing published by the Scottish Federation of Housing Associations. The objective of the review is to draw attention to non-compliance with those paragraphs of the code, if not otherwise disclosed.

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Association's system of internal financial control or its corporate governance procedures.

Opinion

With respect of the Board's statement on internal financial control on pages 7 to 8, in our opinion the Board has provided the disclosures required by Raising Standards in Housing and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.



Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow G2 6NL

9 July 2013

LINK GROUP LIMITED

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2013**

	Notes	2013 £'000	2012 £'000
Turnover	3a	39,085	38,018
Less: Operating Costs	3a	<u>(31,902)</u>	<u>(32,475)</u>
Operating Surplus	3a	<u>7,183</u>	<u>5,543</u>
Interest receivable		23	23
Interest payable	7	(3,497)	(3,165)
Gain on Disposal of Properties		509	224
Exceptional Items		<u>-</u>	<u>1,321</u>
Surplus for the year before taxation		4,218	3,946
Corporation Tax	11	<u>-</u>	<u>-</u>
Surplus for the year after taxation		<u>4,218</u>	<u>3,946</u>

The results for the year relate wholly to continuing activities.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2013**

	2013 £'000	2012 £'000
Surplus for the year	4,218	3,946
Prior year adjustment	<u>-</u>	<u>699</u>
	<u>4,218</u>	<u>4,645</u>

The notes on pages 18 to 44 form part of these accounts.

LINK GROUP LIMITED

**LINK GROUP LIMITED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2013**

	Notes	2013 £'000	2012 £'000
Turnover	3b	26,781	25,910
Less: Operating Costs	3b	(20,985)	(21,721)
Operating Surplus	3b	5,796	4,189
Interest receivable		21	71
Interest payable	7	(2,974)	(2,609)
Gain on Disposal of Properties	6	488	224
Exceptional Items		-	1,321
Surplus for the year		3,331	3,196

The results for the year relate wholly to continuing activities.

**LINK GROUP LIMITED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2013**

	2013 £'000	2012 £'000
Surplus for the year	3,331	3,196
Prior year adjustment	-	(413)
	3,331	2,783

The notes on pages 18 to 44 form part of these accounts.

LINK GROUP LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2013

	Notes	2013 £'000	2012 £'000
Tangible Fixed Assets			
Housing Properties - Depreciated Cost	13a	392,032	368,009
Less: Social Housing Grants	13a	(255,268)	(247,687)
Other Public Grants	13a	(2,524)	(2,534)
		<u>134,240</u>	<u>117,788</u>
Other Fixed Assets	14a	<u>8,429</u>	<u>8,064</u>
		<u>142,669</u>	<u>125,852</u>
Current Assets			
Work in Progress	16	1,771	2,641
Debtors	17	127,506	114,944
Cash at bank and in hand		<u>9,786</u>	<u>10,451</u>
		<u>139,063</u>	<u>128,036</u>
Creditors: amounts falling due within one year	18	<u>(136,942)</u>	<u>(127,364)</u>
Net Current Assets		<u>2,121</u>	<u>672</u>
Total Assets Less Current Liabilities		144,790	126,524
Creditors: amounts falling due after more than one year	19	<u>(96,971)</u>	<u>(82,047)</u>
Net Assets		<u>47,819</u>	<u>44,477</u>
Capital and Reserves			
Share Capital	20	-	-
Designated Reserve	21	16,960	16,928
Restricted Reserve	22	-	-
Negative Goodwill	23	-	876
Revenue Reserve	24a	<u>30,859</u>	<u>26,673</u>
		<u>47,819</u>	<u>44,477</u>

Authorised for issue by the Board of Management on 9 July 2013 and signed on its behalf by:-

P Foreman, Chairman



E Banks, Board Member



J N Hall, Secretary



The notes on pages 18 to 44 form part of these accounts.

LINK GROUP LIMITED

LINK GROUP LIMITED BALANCE SHEET AS AT 31 MARCH 2013

	Notes	2013 £'000	2012 £'000
Tangible Fixed Assets			
Housing Properties - Depreciated Cost	13b	326,059	302,677
Less: Social Housing Grants	13b	(210,070)	(202,643)
Other Public Grants	13b	(2,524)	(2,534)
		<u>113,465</u>	<u>97,500</u>
Other Fixed Assets	14b	7,124	7,402
Investments	15	50	50
		<u>120,639</u>	<u>104,952</u>
Current Assets			
Work In Progress	16	1,748	2,635
Debtors	17	13,238	14,280
Cash at bank and in hand		1,817	3,943
		<u>16,803</u>	<u>20,858</u>
Creditors: amounts falling due within one year	18	<u>(15,714)</u>	<u>(22,108)</u>
Net Current Assets/(Liabilities)		<u>1,089</u>	<u>(1,250)</u>
Total Assets Less Current Liabilities		121,728	103,702
Creditors: amounts falling due after more than one year	19	<u>(79,962)</u>	<u>(64,391)</u>
Net Assets		<u>41,766</u>	<u>39,311</u>
Capital and Reserves			
Share Capital	20	-	-
Designated Reserve	21	16,396	16,396
Negative Goodwill	23	-	876
Revenue Reserve	24b	<u>25,370</u>	<u>22,039</u>
		<u>41,766</u>	<u>39,311</u>

Authorised for issue by the Board of Management on 9 July 2013 and signed on its behalf by:-

P Foreman, Chairman



E Banks, Board Member



J N Hall, Secretary



The notes on pages 18 to 44 form part of these accounts

LINK GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities	28	15,585	8,851
Returns on investments and servicing of finance	29a	(3,469)	(3,138)
Taxation			-
Capital expenditure	29b	(21,765)	(11,665)
Cash (outflow) before use of liquid resources and financing		(9,649)	(5,952)
Financing	29c	8,984	6,162
(Decrease)/Increase in cash		(665)	210

LINK GROUP LIMITED

LINK GROUP LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities	28	11,185	9,785
Returns on investments and servicing of finance	29a	(2,949)	(2,534)
Taxation			-
Capital expenditure	29b	(19,959)	(12,601)
Cash (outflow) before use of liquid resources and financing		(11,723)	(5,350)
Financing	29c	9,597	3,633
(Decrease) in cash		(2,126)	(1,717)

1. ACCOUNTING POLICIES

(a) Introduction and accounting basis

Link Group Limited is incorporated under the Industrial and Provident Societies Act 1965 and is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The accounts are prepared under the historical cost convention and on a going concern basis, in accordance with applicable accounting standards and comply with the Determination of Accounting Requirements 2012 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers 2010.

(b) Basis of Consolidation & Going Concern

The group financial statements consolidate those of Link Group Limited and of its subsidiary undertakings drawn up to 31 March 2013. Profits or losses on intra-group transaction are eliminated in full. The Board of Management anticipate that a surplus will be generated in the year to 31 March 2014. The Group has healthy cash funds and thus the Board of Management are satisfied that there are sufficient resources in place to continue operating in the foreseeable future. On this basis, the Board of Management continue to adopt the going concern basis.

(c) Investments

Investments are included at cost less provision for any permanent diminution in value. The Board is of the opinion that this does not differ materially from the market value.

(d) Tangible Fixed Assets - housing land and buildings

Housing properties are stated at cost. Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

(e) Grants

Capital Grants

Housing Association Grant (HAG) is paid by The Scottish Government to Registered Social Landlords and is utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by The Scottish Government. HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Other capital grants are shown, as is HAG, on the face of the balance sheet as the cumulative gross amount received and as a deduction from the fixed assets to which they relate.

Revenue Grants

Grants received for affordable housing for sale projects are credited against work in progress and therefore cost of sales is stated net of grants received.

Grants received for Shared Equity initiatives are included in creditors and the grants made to successful Shared Equity applicants are included in debtors.

(f) Mortgages

Mortgage loans are advanced by banks under the terms of loan facility agreements in respect of the Association's housing properties.

1. ACCOUNTING POLICIES (continued)**(g) Depreciation***Housing land and buildings*

Properties are stated at historical cost, less social housing and other public grants and 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. The following major components and useful lives have been identified by the Group:

Land - not depreciated	Windows – over 30 years	Pipework – over 24 years
Structure – over 50 - 60 years	Doors – over 30 years	Kitchen – over 15 years
Rewiring – over 40 years	Bathrooms – over 25 years	Boilers – over 12 years

Other fixed assets

Expenditure incurred on the Group's offices is written off over 50 years. Improvements to offices leased by the Association are capitalised and depreciated over the term of the lease. Furniture, fittings and equipment are depreciated at 15% per annum on cost. Motor vehicles are depreciated at 25% per annum of net book value. Computer equipment and systems are depreciated at 10%, 20% or 33.3% per annum on cost, according to the estimated useful life of the asset.

(h) Work In Progress

Costs incurred on construction of property for sale are included at cost within work in progress. Interest on related loans is also included in work in progress, where applicable.

(i) Designated Future Maintenance Reserve

The reserve exists to fund future planned and cyclical maintenance and major repairs to the Group's housing stock, the cost of which will not be funded by grant. The Group has a policy of maintaining its housing stock to a high standard and the transfer to the reserve has been determined in accordance with a comprehensive planned maintenance programme. Actual costs incurred are charged in the Income and Expenditure Account. Transfers from the reserve to the Income and Expenditure Account are made to cover the annual expenditure incurred.

(j) Apportionment of Management Expenses

Direct employee, administration and operating costs have been apportioned to the relevant operational functions undertaken by the Group, primarily on the basis of costs of the staff engaged in the operations dealt with in these accounts and additionally by reference to the costs of the overhead expenditure consumed.

(k) Pension Costs

The Association participates in two pension schemes, a defined benefit pension scheme and a group personal pension scheme (a defined contribution scheme). The Association's contributions for 2012/13 under the schemes have been fully charged to the Income and Expenditure Account.

Defined Contribution Scheme

The pension costs charged to the Income and Expenditure Account represent the amount of the contributions payable to the scheme in respect of the accounting period.

1. ACCOUNTING POLICIES (continued)

Defined Benefit Scheme

The pension costs charged to the Income and Expenditure Account are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll.

(l) VAT

The Group has Group registration for VAT purposes. A large proportion of the Group's income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. For 2012/13, only a small proportion of VAT paid is recoverable, expenditure is therefore shown inclusive of VAT and any input VAT recovered is included in other income.

(m) Lease Obligations

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

2. TURNOVER

Turnover, which is stated net of value added tax, represents income receivable from lettings and property management, revenue grants, fees from managed associations and other income. In respect of the Consolidated Income and Expenditure Account, turnover also includes income from providing support and personal care services, housing for sale projects and property management and factoring income.

Also included is any income from first tranche shared ownership disposals and the sale of properties on a shared equity basis.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

3a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) – CONSOLIDATED

	Turnover 2013 £'000	Operating Costs 2013 £'000	Operating Surplus/ (Deficit) 2013 £'000	Turnover 2012 £'000	Operating Costs 2012 £'000	Operating Surplus/ (Deficit) 2012 £'000
Social Lettings (note 4a)	29,428	(21,018)	8,410	27,501	(19,616)	7,885
Other Activities (note 5a)	9,657	(10,884)	(1,227)	10,517	(12,859)	(2,342)
	39,085	(31,902)	7,183	38,018	(32,475)	5,543

3b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) – LINK GROUP LIMITED

	Turnover 2013 £'000	Operating Costs 2013 £'000	Operating Surplus/ (Deficit) 2013 £'000	Turnover 2012 £'000	Operating Costs 2012 £'000	Operating Surplus/ (Deficit) 2012 £'000
Social Lettings (note 4b)	23,422	(16,491)	6,931	21,760	(15,244)	6,516
Other Activities (note 5b)	3,359	(4,494)	(1,135)	4,150	(6,477)	(2,327)
	26,781	(20,985)	5,796	25,910	(21,721)	4,189

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

4a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTING ACTIVITIES – CONSOLIDATED

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership Housing £'000	2013 Total £'000	2012 Total £'000
Income from rent and service charges					
Rents receivable net of service charges	27,028	96	1,077	28,201	26,114
Service charges	1,352	-	18	1,370	1,354
Gross income from rent and service charges	28,380	96	1,095	29,571	27,468
Less: Rent losses from voids	(377)	-	-	(377)	(209)
Net income from rent and service charges	28,003	96	1,095	29,194	27,259
Other revenue grants	234	-	-	234	242
Other income	-	-	-	-	-
Total turnover from social letting activities	28,237	96	1,095	29,428	27,501
Expenditure					
Management & maintenance administration costs					
Service Charges	6,081	30	133	6,244	6,199
Planned & cyclical maintenance & Major Repairs	1,709	-	8	1,717	1,541
Reactive maintenance costs	3,862	-	-	3,862	3,576
Bad Debts – rents & service charges	3,585	12	2	3,599	3,525
Depreciation of Social Housing	277	-	4	281	204
	5,189	6	120	5,315	4,571
Operating costs for social letting activities	20,703	48	267	21,018	19,616
Operating Surplus / (Deficit) for social lettings 2013	7,534	48	828	8,410	7,885
Operating Surplus / (Deficit) for social lettings 2012	7,087	52	746	7,885	

The cost of property components capitalised in the year was £3,675,101 (2012 - £4,244,552)

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

4b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTINGS - LINK GROUP LIMITED

	General Needs Housing Accommodation £'000	Supported Housing Accommodation £'000	Shared Ownership Accommodation £'000	2013 Total £'000	2012 Total £'000
Income from rent and service charges					
Rents receivable net of service charges	22,476	35	1,035	23,546	21,700
Service charges	-	-	-	-	-
Gross income from rent and service charges	22,476	35	1,035	23,546	-
Less: Rent losses from voids	(352)	-	-	(352)	21,700
					(182)
Net income from rent and service charges	22,124	35	1,035	23,194	21,518
Other revenue grants	228	-	-	228	242
Total turnover from social letting activities	22,352	35	1,035	23,422	21,760
Expenditure					
Management & maintenance administration costs	5,270	21	127	5,418	5,200
Planned & cyclical maintenance & Major Repairs	3,532	-	-	3,532	3,213
Reactive maintenance costs	2,860	-	-	2,860	2,859
Bad Debts – rents & service charges	208	-	2	210	140
Depreciation of Social Housing	4,356	3	112	4,471	3,832
Operating costs for social letting activities	16,226	24	241	16,491	15,244
Operating Surplus / (Deficit) for social lettings 2013	6,126	11	794	6,931	6,516
Operating Surplus / (Deficit) for social lettings 2012	5,765	25	726	6,516	

The cost of property components capitalised in the year was £2,717,854 (2012 - £3,576,949)

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

5a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) FROM OTHER ACTIVITIES - CONSOLIDATED

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Operating Costs 2013 £'000	Operating Surplus / (Deficit) 2013 £'000	Total Turnover 2012 £'000	Operating Costs 2012 £'000	Operating Surplus / (Deficit) 2012 £'000
Wider role activities	329	27	-	16	372	(907)	(535)	643	(993)	(350)
Care and Repair of Property	185	180	-	200	565	(568)	(3)	181	(181)	-
Factoring	-	-	-	200	200	(193)	7	217	(207)	10
Development and construction of property activities	-	-	-	-	-	(728)	(728)	-	(1,005)	(1,005)
Care & Support activities	-	14	2,743	690	3,447	(3,813)	(366)	3,697	(3,959)	(262)
Agency/management services for RSLs	-	12	-	2	14	(8)	6	13	(11)	2
Other agency / management services	-	3	-	2,817	2,820	(2,789)	31	2,653	(2,653)	-
Development and improvements for sale to non RSLs (incl. shared ownership 1 st tranches & shared equity sales)	-	-	-	1,023	1,023	(998)	25	2,663	(2,617)	46
Release of Negative Goodwill	-	-	-	-	-	876	876	-	-	-
Business & other development costs	-	-	-	64	64	(658)	(594)	-	(619)	(619)
Publicity and Promotion	-	-	-	-	-	(190)	(190)	-	(189)	(189)
Shared Equity and Sales Administration	407	-	-	429	836	(742)	94	284	(306)	(22)
Stage 3 Adaptations	129	-	-	-	129	(132)	(3)	97	(115)	(18)
Other Activities	-	20	-	167	187	(34)	153	69	(4)	(65)
Total from Other Activities 2013	1,050	256	2,743	5,608	9,657	(10,884)	(1,227)	10,517	(12,859)	(2,342)
Total from Other Activities 2012	856	284	2,903	6,474	10,517	(12,859)	(2,342)			

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

5b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) FROM OTHER ACTIVITIES – LINK GROUP LIMITED

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover 2013 £'000	Operating Costs 2013 £'000	Operating Surplus / (Deficit) 2013 £'000	Total Turnover 2012 £'000	Operating Costs 2012 £'000	Operating Surplus / (Deficit) 2012 £'000
Wider role activities	329	27	-	-	356	(910)	(554)	553	(903)	(350)
Care and repair of property	185	-	-	-	185	(185)	-	-	-	-
Factoring	-	-	-	-	-	(716)	(716)	-	-	-
Development and construction of property activities	-	-	-	-	-	(354)	(354)	-	(997)	(997)
Care & Support activities	-	-	-	-	-	(42)	9	-	(317)	(317)
Agency/management services for RSLs	-	-	-	51	51	(1,405)	1	53	(53)	-
Other agency / management services	-	-	-	1,406	1,406	(998)	25	1,324	(1,324)	-
Development and improvements for sale to non RSLs (incl. shared ownership 1 st tranches & shared equity sales)	-	-	-	1,023	1,023	876	876	2,133	(2,097)	36
Release of Negative Goodwill	-	-	-	-	-	-	-	-	-	-
Gift Aid from subsidiaries	-	-	-	199	199	-	199	28	-	28
Business & other development costs	-	-	-	-	-	(519)	(519)	-	(547)	(547)
Publicity and Promotion	-	-	-	-	-	(190)	(190)	-	(189)	(189)
Shared Equity and Sales Administration	-	-	-	-	-	(51)	(51)	-	(50)	(50)
Other Activities	-	10	-	129	139	-	139	59	-	59
Total from Other Activities 2013	514	37	-	2,808	3,359	(4,494)	(1,135)	4,150	(6,477)	(2,327)
Total from Other Activities 2012	532	21	-	3,597	4,150	(6,477)	(2,327)			

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)**

6. GAIN ON DISPOSAL OF FIXED ASSETS

In the year to 31 March 2013 Link Group Limited achieved a gain on disposal of fixed assets of £487,529 compared to a gain in 2012 of £224,273. During the year, Link continued to sell properties under the Right to Buy legislation and also the onward sale of Shared ownership tranches.

7. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable in the year has been charged as follows:-

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Income and Expenditure Account – Loan Interest	3,497	3,165	2,974	2,609
Capitalised in work in progress	-	-	-	-
	<u>3,497</u>	<u>3,165</u>	<u>2,974</u>	<u>2,609</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

8. DIRECTORS' AND BOARD MEMBERS' EMOLUMENTS

The aggregate Directors' emoluments, over £60,000, including the Chief Executive were as follows;

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Emoluments (including pension contributions)	499	518	435	380

The Directors whose emoluments exceed £60,000 fall within the following bandings;

Emoluments (excluding pension contributions)	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	No.	No.	No.	No.
£65,001 - £70,000	2	1	2	1
£70,001 - £75,000	-	-	-	-
£75,001 - £80,000	1	1	1	1
£80,001 - £85,000	1	1	1	1
£85,001 - £90,000	-	1	-	1
£90,001 - £95,000	-	-	-	-
£95,001 - £100,000	1	1	1	1
	5	5	5	5

The emoluments of the highest paid Director, who is the Chief Executive are £95,347 (2012, £99,851).

The Chief Executive is an ordinary member of the pension scheme, no enhanced or special terms apply and he has no other pension arrangements with Link. The pension contribution by Link in respect of the Chief Executive amounted to £11,364 (2012, £10,996).

There were no emoluments paid to Board or Committee Members during the year.

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Travel expenses reimbursed to Board and Committee Members	7	8	4	3

During the year there were two tenant Link Group Board Members (2012, two) whose tenancies were on normal terms.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

9. EMPLOYEES

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Staff costs during the year:				
Wages and salaries	10,507	10,135	3,124	2,943
Social Security costs	972	947	342	324
Other pension costs	811	818	312	297
	12,290	11,900	3,778	3,564

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	No.	No.	No.	No.
The average number of persons persons employed during the year	482	458	92	87

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	No.	No.	No.	No.
The average number of full time equivalent persons employed during the year	405	399	88	84

10. AUDITORS' REMUNERATION

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
The remuneration of the auditors (including expenses and VAT) for the year				
Audit services	52	51	16	16
Other services	7	7	6	6
	59	58	22	22

11. TAXATION

Link Group Limited has charitable status for taxation purposes. In the year to 31 March 2013 it is considered that the Association's activities were within the scope of the charitable status and accordingly no provision for taxation is necessary for Link Group Limited.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

12. HOUSING STOCK – LINK GROUP

Analysis of Housing Stock by Accommodation Type

	Units in Management		Units Under Development	
	31 March 2013 Units	31 March 2012 Units	31 March 2013 Units	31 March 2012 Units
Link Group Limited				
Housing accommodation for letting	6,082	5,888	168	245
Shared Bedspaces	532	532	-	-
Shared Ownership accommodation	511	511	6	27
Larkfield Housing Association Limited				
Housing accommodation for letting	394	396	-	-
Horizon Housing Association				
Housing accommodation for letting	795	793	-	-
Shared Ownership accommodation	28	25	-	-
Supported Bedspaces	25	25	-	-
Total units in management	8,367	8,170	174	272

Included in Link Group Limited above are 74 units currently out of management (2012- 64) and excluded are 296 non-housing units (2012 - 270)

In addition, the following units are managed by other bodies;

Organisation	Units	
	31 March 2013 Units	31 March 2012 Units
Stirling University	85	85
Others	11	11
	96	96

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

13a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – CONSOLIDATED

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	Shared Ownership properties in course of construction £'000	2013 Total £'000	2012 Total £'000
Cost						
At 1 April 2012	367,131	23,763	15,457	1,537	407,888	365,040
Prior year restatement	-	-	-	-	-	16,850
Restated opening balance	367,131	23,763	15,457	1,537	407,888	381,890
Additions	7,228	532	23,553	264	31,577	27,452
Transfer Shared Equity & Shared Ownership 1 st tranche to WIP	-	-	-	-	-	(130)
Transfers	20,352	1,391	(19,942)	(1,801)	-	-
Disposals	(113)	(65)	-	-	(178)	-
- initial tranches	(2,772)	(159)	(949)	-	(3,880)	-
- other sales	-	-	-	-	-	-
At 31 March 2013	391,826	25,462	18,119	-	435,407	407,888
Depreciation						
At 1 April 2012	38,630	1,249	-	-	39,879	17,855
Prior year restatement	-	-	-	-	-	18,306
Restated opening balance	38,630	1,249	-	-	39,879	36,161
Provided during the year	4,676	133	-	-	4,809	4,454
On Disposals	(1,295)	(18)	-	-	(1,313)	(736)
At 31 March 2013	42,011	1,364	-	-	43,375	39,879
Depreciated Cost						
At 1 April 2012	349,815	24,098	18,119	-	392,032	368,009
Housing Association Grant						
At 1 April 2012	220,613	17,228	8,750	1,096	247,687	236,876
Prior year restatement	-	-	-	-	-	(2,147)
Restated opening balance	220,613	17,228	8,750	1,096	247,687	234,729
Additions	46	16	8,632	-	8,694	13,290
Transfer Shared Equity Grant to Creditors	-	-	-	-	-	-
Transfers	9,090	752	(8,933)	(1,096)	(187)	-
Repaid and abated during year	(806)	(120)	-	-	(926)	(332)
At 31 March 2013	228,943	17,876	8,449	-	255,268	247,687
Other Capital Grants						
At 1 April 2012	2,520	14	-	-	2,534	2,427
Prior year restatement	-	-	-	-	-	(8)
Restated opening balance	2,520	14	-	-	2,534	2,419
Additions	3	-	-	-	3	115
Transfers	-	-	-	-	-	-
Repaid and abated	(13)	-	-	-	(13)	-
At 31 March 2013	2,510	14	-	-	2,524	2,534
Net Book Value at 31 March 2013	118,362	6,208	9,670	-	134,240	117,788
Net Book Value at 31 March 2012 restated	105,369	5,272	6,707	440	117,788	

Included in property additions is £3,675,101 of property components capitalised in the year (2012 - £4,244,552).

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

13b. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES – LINK GROUP LTD.						
	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	Shared Ownership properties in course of construction £'000	2013 Total £'000	2012 Total £'000
Cost						
At 1 April 2012	297,581	22,671	15,455	1,537	337,244	297,930
Prior year restatement	-	-	-	-	-	14,190
Restated opening balance	297,581	22,671	15,455	1,537	337,244	312,120
Additions	5,952	289	23,553	264	30,058	26,399
Transfer Shared Equity & Shared Ownership 1 st tranche to WIP	-	-	-	-	-	(130)
Transfers	20,352	1,391	(19,942)	(1,801)	-	-
Disposals - initial tranches	-	(65)	-	-	(65)	-
- other sales	(2,598)	(159)	(945)	-	(3,702)	(1,145)
At 31 March 2013	321,287	24,127	18,121	-	363,535	337,244
Depreciation						
At 1 April 2012	33,356	1,211	-	-	34,567	14,657
Prior year restatement	-	-	-	-	-	16,758
Restated opening balance	33,356	1,211	-	-	34,567	31,415
Provided during the year	3,950	125	-	-	4,075	3,766
On Disposals	(1,148)	(18)	-	-	(1,166)	(614)
At 31 March 2013	36,158	1,318	-	-	37,476	34,567
Depreciated Cost	285,129	22,809	18,121	-	326,059	302,677
Housing Association Grant						
At 1 April 2012	176,381	16,416	8,750	1,096	202,643	192,062
Prior year restatement	-	-	-	-	-	(2,147)
Restated opening balance	176,381	16,416	8,750	1,096	202,643	189,915
Additions	(108)	16	8,632	-	8,540	13,060
Transfer Shared Equity Grant to Creditors	-	-	-	-	-	-
Transfers	9,090	752	(8,933)	(1,096)	(187)	-
Repaid and abated during year	(806)	(120)	-	-	(926)	(332)
At 31 March 2013	184,557	17,064	8,449	-	210,070	202,643
Other Capital Grants						
At 1 April 2012	2,520	14	-	-	2,534	2,427
Prior year restatement	-	-	-	-	-	(8)
Restated opening balance	2,520	14	-	-	2,534	2,419
Additions	3	-	-	-	3	115
Transfers	-	-	-	-	-	-
Repaid and abated during year	(13)	-	-	-	(13)	-
At 31 March 2013	2,510	14	-	-	2,524	2,534
Net Book Value at 31 March 2013	98,062	5,731	9,672	-	113,465	97,500
Net Book Value at 31 March 2012 restated	85,326	5,029	6,705	440	97,500	

Development administration costs capitalised amounted to £257,513 (2012 - £209,506) for which Housing Association Grant amounting to £96,357 (2012 - £214,862) was received in the year. Included in property additions is £2,717,854 of property components capitalised in the year (2012 - £2,717,854).

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

14a. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS - CONSOLIDATED

	Heritable Office Property £'000	Plant & Equipment £'000	Vehicles £'000	2013 Total £'000	2012 Total £'000
Cost					
At 1 April 2012	8,257	1,698	115	10,070	10,007
Additions	642	170	4	816	360
Disposals	-	(117)	(9)	(126)	(297)
At 31 March 2013	8,899	1,751	110	10,760	10,070
Grant					
At 1 April 2012	-	2	-	2	2
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2013	-	2	-	2	2
Depreciation					
At 1 April 2012	999	938	67	2,004	1,865
Provided during the year	178	248	25	451	437
On Disposals	-	(118)	(8)	(126)	(298)
At 31 March 2013	1,177	1,068	84	2,329	2,004
Net Book Value at 31 March 2013	7,722	681	26	8,429	8,064
Net Book Value at 31 March 2012	7,258	758	48	8,064	

14b. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS - LINK GROUP LTD

	Heritable Office Property £'000	Plant & Equipment £'000	Vehicles £'000	2012 Total £'000	2012 Total £'000
Cost					
At 1 April 2012	7,513	1,456	30	8,999	8,942
Additions	-	95	4	99	354
Disposals	-	(117)	(9)	(126)	(297)
At 31 March 2013	7,513	1,434	25	8,972	8,999
Depreciation					
At 1 April 2012	858	716	23	1,597	1,506
Provided during the year	150	224	3	377	389
On Disposals	-	(118)	(8)	(126)	(298)
At 31 March 2013	1,008	822	18	1,848	1,597
Net Book Value at 31 March 2013	6,505	612	7	7,124	7,402
Net Book Value at 31 March 2012	6,655	740	7	7,402	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

15. INVESTMENTS

Subsidiary Undertakings

Company	Authorised Share Capital	Issued Share Capital	Principal Activity
Link Housing Association Limited	100 £1 shares	£1	Management of social rented housing stock
Linkwide Limited	Limited by Guarantee	N/A	Development of Community Regeneration initiatives
LinkLiving Limited	Limited by Guarantee	N/A	Providing care and support to Link tenants and others
Link Property Limited	50,000 £1 shares	£50,000	Dormant
Larkfield Housing Association Limited	N/A	N/A	A Registered Social Landlord, management of social rented housing stock
Link Energy Limited	100 £1 shares	£1	General commercial activities relating to renewable energy projects
Horizon Housing Association	N/A	N/A	A Registered Social Landlord, management of social rented housing stock

At 31 March 2013 Link Group Limited held 100% share capital of the subsidiary undertakings listed above, with the exception of Larkfield Housing Association and Horizon Housing Association, where Link Group Limited has control of the appointment of the Committee of Management.

Link Property Limited was dormant (within the meaning of section 480 of the Companies Act 2006) throughout the financial period to 31 March 2013. The issued share capital of Link Property Limited and Link Housing Association is shown at cost within Link Group Limited.

Link Energy Limited was incorporated on 10 November 2008 and has not traded up to the Balance Sheet date.

At 31 March 2013 Linkwide Limited held 100% share capital of the following subsidiary undertakings:

Company	Authorised Share Capital	Issued Share Capital	Principal Activity
Link Homes (2001) Limited	50,000 £1 shares	£50,000	Developing housing for sale
Lister Square (No.108) Limited	1 £1 share	£1	Provision of office facilities

The issued share capital of Link Homes (2001) Limited and Lister Square (No.108) Limited is held at cost within Linkwide Limited.

All of the subsidiary undertakings have been consolidated in the group financial statements.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

15. INVESTMENTS (continued)

	Shares in Group Undertakings 2013 £	Shares in Group Undertakings 2012 £
Cost		
At 1 April 2012 and 31 March 2013	<u>50,002</u>	<u>50,002</u>
Amounts written down		
At 1 April 2012 and 31 March 2013	<u>-</u>	<u>-</u>
Shares redeemed during the year		
At 1 April 2012 and 31 March 2013	<u>-</u>	<u>-</u>
Net Book Value At 1 April 2012 and 31 March 2013	<u><u>50,002</u></u>	<u><u>50,002</u></u>

16. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
At 1 April 2012	2,635	2,149	2,635	1,626
Expenditure on development properties	1,923	4,459	606	4,462
Shared ownership first tranche costs	-	-	-	-
Cost of disposals transferred to cost of sales	(2,793)	(3,972)	(1,493)	(3,453)
Stock	6	5	-	-
At 31 March 2013	<u><u>1,771</u></u>	<u><u>2,641</u></u>	<u><u>1,748</u></u>	<u><u>2,635</u></u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

17. DEBTORS

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Arrears of rent and service charges	1,416	1,150	1,160	932
Less: Provision for bad and doubtful debts	(461)	(397)	(367)	(331)
HAG receivable	1,652	1,474	706	1,474
Revenue Grants Receivable	83	219	-	-
Shared Equity Grants	122,629	107,388	6,536	5,965
Other debtors (less provision £113,122 2012 - £105,414)	1,831	3,623	93	695
Prepayments	356	1,487	173	1,390
Due from subsidiaries	-	-	4,937	4,155
	127,506	114,944	13,238	14,280

The amount due from subsidiaries represents rental income collected by subsidiary companies on behalf of Link Group Limited and not received by Link Group until after the year end. In addition, the amount due from subsidiaries also includes charges levied by Link Group for services provided which were invoiced to the subsidiaries, and also paid after the year end.

18. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Housing Loans – current instalments due (Note 19)	970	6,910	394	6,368
Shared Equity Grants	125,817	109,261	7,237	7,133
Trade and other creditors	6,960	8,888	6,011	6,288
Taxation and Social Security	412	338	412	338
Pension Contributions	74	68	74	68
Accruals	2,044	1,258	403	330
Rents in advance	665	641	489	455
Amounts owed to group undertakings	-	-	694	1,128
	136,942	127,364	15,714	22,108

Included in Trade and Other Creditors is an amount of £775,000 (2012, £775,000), representing a grant repayable to the Scottish Government. The amount repayable relates to grant aided flats, which were demolished following the discovery of serious structural defects. Link does not consider the grant repayment to be equitable and has made representations to the Scottish Government for further abatement, although in the accounts the full amount repayable has been provided.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

19. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Loan Facilities	96,771	81,847	79,762	64,391
The Scottish Government	200	200	-	-
	96,971	82,047	79,762	64,391

The Scottish Government has advanced funds to Larkfield Housing Association in respect of proposed works to owner occupied properties. These funds will be repaid to The Scottish Government once repairs are completed and contributions received from the owners.

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Analysis of Loan Facilities				
Housing Loans				
Fixed Rate				
Advanced by Banks	43,000	35,000	43,000	35,000
Advanced by Building Societies	6,404	8,396	-	1,168
Variable Rate				
Advanced by Banks	35,400	33,700	35,400	33,700
Advanced by Building Societies	12,937	11,661	1,956	891
	97,741	88,757	80,356	70,759

The group has loan facilities of £109.9m, of which £97.7m had been drawn down as at 31 March 2013 (2012 - £88.8m). The loan facility is secured over a number of the Association's housing properties.

Interest on the loans was charged at interest rates between 0.8252% and 5.5072% (2012, between 0.9492% and 6.1700%)

Analysis of Maturity of Debt

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amounts Repayable:				
In one year or less, or on demand	970	6,910	394	6,368
Between one and two years	10,007	942	9,395	365
Between two and five years	3,654	3,264	1,591	1,311
	14,631	11,116	11,380	8,044
In five years or more	83,110	77,641	68,976	62,715
	97,741	88,757	80,356	70,759

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

20. SHARE CAPITAL

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	No.	No.	No.	No.
Shares of £1 each fully paid and issued				
At beginning of the year	417	445	253	257
Shares issued during the year	24	31	5	11
Shares surrendered during the year	(17)	(59)	(8)	(15)
Shares of £1 each fully paid at end of the year	424	417	250	253

21. DESIGNATED FUTURE MAINTENANCE RESERVE - CONSOLIDATED AND LINK GROUP LIMITED

	Consolidated		Link Group Ltd.	
	2013	2012	2013	2012
	Total	Total	Total	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2012	16,928	16,908	16,396	16,396
Net transfer from Income and Expenditure Account	32	20	-	-
At 31 March 2013	16,960	16,928	16,396	16,396

22. RESTRICTED RESERVE - CONSOLIDATED

	2013	2012
	Total	Total
	£'000	£'000
Balance at 1 April 2012	-	-
From Income and Expenditure Account	-	25
To Income and Expenditure Account	-	(25)
At 31 March 2013	-	-

23. NEGATIVE GOODWILL – CONSOLIDATED AND LINK GROUP LIMITED

	2013	2012
	Total	Total
	£'000	£'000
Balance at 1 April 2012	876	876
Amortised during the year	(876)	-
At 31 March 2013	-	876

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

24a. REVENUE RESERVES - CONSOLIDATED

	2013 Total £'000	2012 Total £'000
Balance at 1 April 2012	26,673	22,747
Surplus in the year	4,218	3,946
Net transfer (to) designated reserve	(32)	(20)
At 31 March 2013	<u>30,859</u>	<u>26,673</u>

24b. REVENUE RESERVES – LINK GROUP LIMITED

	2013 Total £'000	2012 Total £'000
Balance at 1 April 2012	22,039	18,843
Surplus in the year	3,331	3,196
At 31 March 2013	<u>25,370</u>	<u>22,039</u>

25. CAPITAL COMMITMENTS

At 31 March 2013 authorised and contracted commitments outstanding amounted to approximately £8.7m for Link Group Limited (2012 - £12.4m) and £8.7m for the group (2012 – £12.4m).

26. CONTINGENT LIABILITIES

Office Repairs

A contingent liability exists in respect of potential repairs to Link's property at 170 Hope Street, Glasgow. The property is listed and deemed to be of significant architectural importance, although major expenditure is required to make the property safe. Agreement has been reached in principle with Glasgow Building Preservation Trust to purchase the property for £1 which will free Link from any liability for repairs to the building.

Horizon Housing Association Outstanding Claim

A claim for damages in the sum of £459,329 has been made against Horizon Housing Association by a local authority in respect of an alleged breach of contract in relation to provision of development services at Ladeside Gardens, Kilmaurs. Horizon is strongly defending the action and appropriate risk assessments have been carried out to mitigate against any material financial or operational impact on the association.

Pensions

Link Group Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Link Group Limited was £4,007,862.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

27. OBLIGATIONS UNDER LEASES

Annual commitments under non-cancellable operating leases are as follows:

CONSOLIDATED	2013		2012	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	1	-	-
In the second to fifth year inclusive	-	-	-	13
Over five years	-	-	36	-
	-	1	36	13

LINK GROUP LIMITED	2013		2012	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	1	-	-
In the second to fifth year inclusive	-	-	-	13
Over five years	-	-	36	-
	-	-	36	13

28. RECONCILIATION OF SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITY

	Consolidated		Link Group Ltd	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Operating surplus	7,183	5,543	5,796	4,189
Depreciation charges	5,634	4,956	4,848	4,221
Exceptional Items	-	1,321	-	1,321
Release of Negative Goodwill	(876)		(876)	
Increase in creditors	16,231	6,779	243	2,843
(Increase)/decrease in debtors	(13,452)	(9,253)	287	(1,779)
(Increase)/decrease in work in progress	865	(495)	887	(1,010)
Net Cash Inflow from Operating Activities	15,585	8,851	11,185	9,785

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

29. GROSS CASH FLOWS

	Consolidated		Link Group Ltd	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
(a) Returns on Investments and Servicing of Finance				
Interest received	23	23	21	71
Interest paid	(3,492)	(3,161)	(2,970)	(2,605)
	<u>(3,469)</u>	<u>(3,138)</u>	<u>(2,949)</u>	<u>(2,534)</u>
(b) Capital Expenditure				
Acquisition and construction of housing Properties	(32,180)	(26,515)	(30,030)	(25,285)
Purchase of other fixed assets	(91)	(380)	(89)	(374)
Capital grants received	9,599	14,876	9,310	12,705
Grants repaid	16	(311)	16	(311)
Sale proceeds of housing properties	891	665	834	664
Sale proceeds of other fixed assets	-	-	-	-
	<u>(21,765)</u>	<u>(11,665)</u>	<u>(19,959)</u>	<u>(12,601)</u>
(c) Financing				
Loan advances received - housing	10,000	7,000	10,000	4,000
Loan principal repayments - Housing	(1,016)	(838)	(403)	(367)
	<u>8,984</u>	<u>6,162</u>	<u>9,597</u>	<u>3,633</u>

30a. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT - CONSOLIDATED

	2013	2012
	£'000	£'000
(Decrease)/Increase in cash in the period	(665)	210
Cash (inflow) movement in debt	<u>(8,984)</u>	<u>(6,162)</u>
Movement in net debt in the period	<u>(9,649)</u>	<u>(5,952)</u>
Net debt at 1 April 2012	<u>(78,306)</u>	<u>(72,354)</u>
Net debt at 31 March 2013	<u>(87,955)</u>	<u>(78,306)</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

30b. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT LINK GROUP LIMITED

	2013 £'000	2012 £'000
(Decrease) in cash in the period	(2,126)	(1,717)
Cash (inflow) movement in debt	(9,597)	(3,633)
Movement in net debt in the period	(11,723)	(5,350)
Net debt at 1 April 2012	(66,816)	(61,466)
Net debt at 31 March 2013	(78,539)	(66,816)

31a. ANALYSIS OF NET DEBT - CONSOLIDATED

	At 1 April 2012 £'000	Cash Flows £'000	At 31 March 2013 £'000
Cash at bank	10,451	(665)	9,786
Debt due after one year	(81,847)	(14,924)	(96,771)
Debt due within one year	(6,910)	5,940	(970)
	(78,306)	(9,649)	(87,955)

31b. ANALYSIS OF NET DEBT - LINK GROUP LIMITED

	At 1 April 2012 £'000	Cash Flows £'000	At 31 March 2013 £'000
Cash at bank	3,943	(2,126)	1,817
Debt due after one year	(64,391)	(15,571)	(79,962)
Debt due within one year	(6,368)	5,974	(394)
Liquid resources	-	-	-
	(66,816)	(11,723)	(78,539)

32. PENSIONS

Defined Contribution Scheme

172 members of staff are members of the Link group personal pension scheme (2012, 186), of whom 61 are employed by Link Group Limited (2012, 63). The assets of the scheme are administered by trustees in a fund independent of the Link Group. The total employer contributions for the year ended 31 March 2013 amounted to £575,479 (2012 £565,138), of which £277,865 was made in relation to Link Group Limited staff (2012 £264,391).

Defined Benefit Scheme

General

Link group also participates in the SHAPS Pension Scheme (the "scheme"). The Scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Link Group Limited and Larkfield H.A. Limited have elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members and new entrants from 1 April 2012. Horizon H.A. Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members and the career average revalued earnings (CARE) with a 1/120th accrual rate benefit structure for new entrants from 1 April 2012.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

Link Group, including Larkfield H.A. Limited and Horizon H.A. Limited, paid contributions at the rate of 9.6% of pensionable salaries, with an additional contribution to past service deficits of 10.4%. Employer contributions amounted to £236,507 (2012: £252,670) during the accounting period for 32 members of staff (2012: 40), of which none (2012: none), related to any members of Link Group Limited staff (2012: none). Member contributions were 9.6%.

As at the balance sheet date there were 32 (2012, 40) active members of the Scheme employed by Link Group and subsidiaries, none of which are employed by Link Group Limited (2012, none). Link Group Limited has closed the scheme to new entrants, however, Larkfield H.A. Limited and Horizon H.A. Limited, subsidiaries of Link Group, continue to offer membership of the Scheme to their employees.

32. PENSIONS (continued)

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

Valuation Results

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement - Non-pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables

Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)	%
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions *	10.4

32. PENSIONS (continued)

(* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for the Association was £4,007,862.