

LINK GROUP LIMITED



LINKGROUP

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2015

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

LINK GROUP LIMITED

REPORTS AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

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LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS

BOARD OF MANAGEMENT

R Stirrat (Chairman)
J Hinton (Vice-Chairman)
E Banks (resigned April 2015)
A Colston
A Currie
C Donaldson
D Esslemont
A Smith

P Foreman (resigned December 2014)
J O'Neill (resigned August 2014)
C Macneill
I Dickson
R Robertson
D Wilson
A Johnstone (resigned March 2015)

CHIEF EXECUTIVE AND DIRECTORS

Chief Executive
Director of Finance and Corporate Services/Company Secretary
Director of Development & Asset Management
Director of Human Resources
Director of Housing Services
Director of Housing Support Services

C Sanderson
J N Hall
C Culross
H Bayne
M B Middleton
S Smith

AUDITOR

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

BANKERS

Bank of Scotland
38 St Andrews Square
Edinburgh EH2 2YR

SOLICITORS

Burness Paull LLP
50 Lothian Road
Edinburgh EH3 9WJ

Harper Macleod LLP
45 Gordon Street
Glasgow G1 3PE

FUNDERS

Royal Bank of Scotland

Bank of Scotland

Nationwide Building Society

Santander Corporate Banking

M&G Investments

REGISTERED OFFICE

2C New Mart Road
Edinburgh
EH14 1RL

WEB SITE

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E-MAIL

linkhousing@linkhousing.org.uk

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the group accounts for the year ended 31 March 2015.

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

Group Structure

Link Group Limited (Link) is the parent company in the group, which comprises four Registered Social Landlords (regulated by the Scottish Housing Regulator) and six operating subsidiaries formed to carry out specific functions.

Link has charitable status and is one of the Registered Social Landlords (RSLs). 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 note 14 to the accounts.

Larkfield Housing Association, West Highland Housing Association and Horizon Housing Association (all of which also have charitable status) are the other Registered Social Landlords in the group. As RSL subsidiaries, Larkfield, West Highland 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 and it appoints the board members of subsidiary companies on the recommendation of the subsidiary company's board. Some members of boards of the subsidiaries are also members of the Link board although in no case does the majority membership on these boards consist of Link 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.

The consolidated results of the group reflect the results of all Link subsidiary companies, which include the three other Registered Social Landlords. West Highland Housing Association (WHHA) joined the group in December 2014 and the financial results of WHHA are consolidated for the first time. The Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers 2010 requires that Link consolidates the results of WHHA on the basis of the fair value of the net assets, rather than the historic cost of the assets. This exercise increased WHHA's net assets by £12.3M and this has flowed through the consolidated income and expenditure account of Link, together with the West Highland assets and has increased reserves by £18.8M. The total retained surplus of the group amounted to £22.5M (2014, £2.8M). The board welcomes the contribution by the subsidiaries.

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 expand the development programme, attracting other RSLs to join the group and maximising procurement

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

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.

Operating Performance

Link 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.

Link's board receives quarterly performance reports from all the subsidiaries and it examines the performance of each area of the group and compares performance across the group, including comparing the performance of the RSLs. All four RSLs complete Annual Returns on the Charter (ARC) to the Scottish Housing Regulator and the information is published so that tenants can see how individual RSLs compare across a wide range of indicators.

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 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, intermediate 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'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.

Another Link subsidiary, Link Property Limited, employs Link's In House Trades Team (IHTT) to undertake the majority of the reactive repairs for Link. The service is being extended across Link's three main customer bases throughout central Scotland and services are being provided to two other subsidiaries in the group. The performance of Link Property Limited is also scrutinised by the Link Board through the quarterly performance reporting cycle. Despite significant improvements in repairs service delivery this is an area which the Board continues to monitor closely and has explored ways in which to improve repair response times and customer satisfaction generally with the repairs service.

Link 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 bears no risk or reward in respect of the shared equity arrangement and acts as an agent for Scottish Ministers in return for an administration fee.

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 manages grants received from the Scottish Government as and grants paid out to Shared Equity buyers. As Link has no financial interest, other than being the scheme administrator for the Scottish Government, these transactions do not appear on the consolidated balance sheet of the Link group.

During the year Link also administered the Help to Buy (Scotland) scheme on behalf of the Scottish Government. This scheme is aimed at assisting qualifying individuals with a top-up deposit so that they can access mortgage borrowing and purchase a property. The scheme operates in a very similar way to the shared

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

equity grant schemes, with the top-up deposit being paid as a grant, and repayable as a proportion of the value of the property when sold.

Financial Performance

Except where stated otherwise the financial performance discussed is that of the parent company only i.e. of Link Group Limited ("Link")

In 2015 Link achieved a surplus for the year of £3.5M (2014 £1.8M). Turnover increased by approximately 6.7% to £29.1M and operating costs decreased by 1% to £22.7M. The income from social letting activities increased by 5.6% (increasing income by £1.4M) and this reflects rent increases applied in April 2014 and rents received from new build completions during the year. Turnover from other activities increased by £0.4M and income from subsidiary undertakings made a substantial £1.7M contribution to Link (2014, £0.7M).

Included in operating costs is the expenditure on wider role activities (£0.8M) and expenditure on reactive maintenance, planned and cyclical maintenance and major repairs, the cost of which was £7.0M in 2015 (2014, £7.2M) The total investment in 2015 on all maintenance activities was £10.3M (2014, £10.3M), £3.3M of which was treated as capital expenditure.

Link's surplus for the year increased by £1.8M from the 2014 position. This was achieved after providing increased depreciation of housing properties (£0.4M) as well as increased interest payable and related finance costs (£1.4M) on loans borrowed and arranged to support Link's development programme. The results for 2015 were entirely in line with the board's expectations and exceeded Link's budget and business plan expectations for 2014/15.

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 the end of 2015 with very few exceptions. 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: Accounting for Registered Social Landlords update 2010 ("SORP") to depreciate its housing properties and retained surpluses are calculated after providing for depreciation of £4.9M in 2015 (2014, £4.5M)

At 31 March 2015 Link's total reserves amounted to £47.1M, an increase of £3.6M from 2014. 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 £47.1M of total reserves, the designated reserve for future maintenance amounted to £16.4M (2014, £16.4M).

Investment and Financing

During the year Link invested £34.8M (2014, £29.3M) in new properties for rent and sale on a 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 £18.6M (2014, £12.4M) 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 reflected expenditure on the significant number of projects receiving grant approval from the Scottish Government. During 2014/15, Link completed 218 properties comprising 82 for social rent and 136 properties to be let at intermediate rents.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

Link maintains substantial revolving credit facilities with two of its lenders. These facilities enable Link to finance the development programme and then, when the facilities are fully drawn, Link will obtain long term finance so that the revolving credit facilities are once again available to finance the ongoing development programme. Link aims to complete a substantial drawdown of long term facilities in 2016/17.

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 2015, Link's borrowings exceeded the 80% target but the board was satisfied that this was only a short term position which would reduce as Link accessed its revolving credit facilities over the next few years (which are on variable interest rates). The board also considered that borrowing the fixed interest debt in the recent climate of low long term interest rates would be in Link's long term best interests.

In addition to stock required as security for all its current borrowings, Link has a large proportion of housing stock available to be used as security for future borrowing. Link's current development programme will be financed from the new revolving credit loan facilities, therefore (when completed) these properties will also be available as security for future borrowings.

Link has a continuing, substantial investment programme. Its business target is to complete approximately at least 150 properties per annum for rent and low cost home ownership/shared ownership/ shared equity over the 5-year business plan period 2015/16 to 2019/20 although Link aspires to achieve 1,326 properties over the next 5 years. The specific business plan target for completions for 2015/16 is 256 properties. At current grant subsidy levels Link is confident that it will be able to continue to build and let new homes at social rent levels thus providing welcome genuinely affordable housing to those in need.

In recognition that in certain areas of the country (including major cities) there is a real need and demand for intermediate rented properties (with rents set at around 80% of the local housing allowance levels) Link will continue to provide that housing tenure, utilising lower grant funding levels from the Scottish Government. Intermediate rented properties are often at rents substantially less than full market rates and can be suitable for key incoming workers and those in employment but with limited incomes. Link expects that by the end of the business plan period Link will have completed 482 intermediate rent properties.

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. Link is confident that it can continue to develop and meet housing needs 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 a 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.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

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 2015 stood at 12 Members. (at the date of this report, 12 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.

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 was accorded Investors in Diversity status during the year and remains committed to continue to support staff and board members in further developing our approach to equality and diversity.

Employee Involvement

Link employed 595 staff (2014, 508) across the group on average throughout the year. 91 staff members (2014, 91) 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.

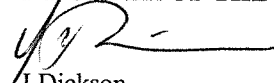
Auditor

A resolution to re-appoint KPMG LLP as auditor will be proposed to the annual general meeting to be held on September 1st 2015.

As far as each of the members of the board at the time of 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


I Dickson
Board Member

Date: 11 August 2015

Registered Office:
2C New Mart Road, Edinburgh, EH14 1RL

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS

Internal Financial Control

The Board is responsible for establishing and maintaining systems of internal financial controls for Link and its subsidiaries. Internal control systems are designed to meet the groups'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. Board Members are also required to adhere to the Code of Governance for Governing Body Members.

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 Senior Management Group and Subsidiaries Companies. 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.

Three of Link's subsidiaries are Registered Social Landlords (RSLs) and are governed by Boards of Management elected by their respective memberships. The Boards of Management of these subsidiaries meet at least six times in each year. Horizon Housing Association has an Audit Finance and Risk Committee, which meets four times a year; West Highland Housing Association has a Corporate Services Sub Committee which meets when required. Link's active non-RSL subsidiary Board Members are appointed by the Link Group Board and the Boards meet at least quarterly.

Policies

The group has up to date policies in place for all areas of the business. The Strategy and Business Support team co-ordinates the policy review process across the group and during the year the relevant Boards approved a number of revised/updated policies in accordance with the policy review timetable. Where appropriate, group wide policies are adopted, but there are a number of locally focussed policies which are approved by the relevant subsidiary Boards. All group 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 the group'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 the group operates a performance management framework incorporating regular staff performance reviews and annual appraisals and setting a training and development plan for all staff.

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (Continued)

Quality and Integrity of Personnel (continued)

A number of training programmes have also been delivered to all staff and the group'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 the group's ethos and in the Staff Code of Conduct.

Identification of Business Risks

The Boards are responsible for identifying the major business risks faced by the group 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 Boards 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 borrowing, investment and recoverability of debts due.

Internal Control Systems

The Boards monitor 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 work plan is generated from a detailed Audit Needs Assessment which is based upon a systematic risk assessment of the group's operations and activities. The Internal Auditor reports to the Group Audit & Risk Committee.

Group Audit and Risk Committee

The Group 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. Subsidiary Boards also receive reports from the internal auditors.

Health & Safety

The group is committed to the provision of a healthy and safe working environment. The group 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 Committees in each RSL (staff groups) oversee the risk assessment programme and regularly review the policies. Link's full-time Health and Safety Officer works closely with the relevant Health and Safety Committees.

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (Continued)

Statement

The Board acknowledges its ultimate responsibility for ensuring that the group has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the group or for publication;
- the proper authorisation and recording of transactions;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss.

In ensuring it meets its responsibilities the Board has delegated the scrutiny of control functions to the Audit and Risk Committee which receives regular reports from the internal auditors based on the internal audit strategic plan. The Committee follows up on progress made with regard to the implementation of audit recommendations and internal auditors also check that the previous year's recommendations remain implemented. The internal audit strategic plan applies to the Link group which enables the Audit and Risk Committee (on the Board's behalf) to be satisfied that the control systems in the group are effective. Both internal and external auditors are invited to all Audit and Risk Committee meetings

The Board has continued to review the system of internal financial control in Link during the year ended 31 March 2015 and internal financial control systems of the wider group including all subsidiary companies. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements, or in the auditors' report on the financial statements.

BY ORDER OF THE BOARD



I Dickson
Board Member

Date: 11 August 2015

Registered Office:
2C New Mart Road, Edinburgh, EH14 1RL

LINK GROUP LIMITED

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

The Board of Management is responsible for preparing the Board of Management's Report and the financial statements in accordance with applicable law and regulations.

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

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

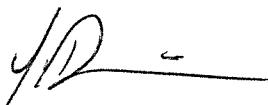
In preparing these financial statements, the Board of Management is required to:

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

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

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BY ORDER OF THE BOARD



I Dickson
Board Member

Date: 11 August 2015

Registered Office:
2C New Mart Road, Edinburgh, EH14 1RL

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

We have audited the financial statements of Link Group Limited for the year ended 31 March 2015 set out on pages 12 to 47. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014, section 69 of the Housing (Scotland) Act 2010 and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 10, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and the association as at 31 March 2015 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements 2012, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

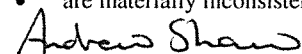
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Under the Scottish Housing Regulator Regulatory Advice Note: *Internal Financial Controls and the Regulatory Standards* we are required to report to you if, in our opinion the Statements on Internal Financial Control on pages 7 to 9:

- does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- are materially inconsistent with the knowledge acquired by us in the course of performing our audit.



Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Saltire Court

Castle Terrace

Edinburgh

EH1 2EG

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

21 August 2015

LINK GROUP LIMITED

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2015**

	Notes	2015 £'000	2014 £'000
Turnover	3a	46,135	41,322
Less: Operating costs	3a	<u>(37,099)</u>	<u>(34,561)</u>
Operating surplus	3a	<u>9,036</u>	<u>6,761</u>
Interest receivable		47	19
Interest payable	7	(5,569)	(4,047)
Gain on disposal of properties		243	75
Exceptional items – negative goodwill arising from the strategic partnership with West Highland Housing Association Ltd.	34	<u>18,755</u>	<u>-</u>
Surplus for the year before taxation		22,512	2,808
Corporation tax		<u>-</u>	<u>-</u>
Surplus for the year after taxation		<u><u>22,512</u></u>	<u><u>2,808</u></u>

The results for the year relate wholly to continuing activities. A statement of recognised gains and losses is not shown as all gains and losses are recognised in the income and expenditure account. Historical costs, surpluses and deficits are identical to those shown in the accounts.

The notes on pages 18 to 47 form part of these accounts.

LINK GROUP LIMITED

**LINK GROUP LIMITED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2015**

	Notes	2015 £'000	2014 £'000
Turnover	3b	29,160	27,320
Less: Operating costs	3b	<u>(22,743)</u>	<u>(22,830)</u>
Operating surplus	3b	<u>6,417</u>	<u>4,490</u>
Interest receivable		37	17
Interest payable	7	(4,920)	(3,560)
Gain on disposal of properties	6	260	75
Income from subsidiary undertakings		1,746	747
Loss on disposal of subsidiary		<u>(5)</u>	<u>-</u>
Surplus for the year		<u><u>3,535</u></u>	<u><u>1,769</u></u>

The results for the year relate wholly to continuing activities. A statement of recognised gains and losses is not shown as all gains and losses are recognised in the income and expenditure account. Historical costs, surpluses and deficits are identical to those shown in the accounts.

The notes on pages 18 to 47 form part of these accounts.

LINK GROUP LIMITED

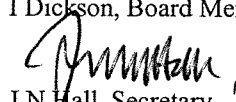
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
Tangible fixed assets			
Housing properties - depreciated cost	12a	468,551	411,797
Less: Social housing grants	12a	(284,358)	(266,752)
Other public grants	12a	(2,521)	(2,521)
		<u>181,672</u>	<u>142,524</u>
Other fixed assets	13a	9,565	8,443
Investments	14	-	-
		<u>191,237</u>	<u>150,967</u>
Current assets			
Stock		12	8
Work in progress	15	2,530	1,944
Debtors	16	7,759	5,763
Investments		2,000	-
Cash at bank and in hand		22,785	25,043
		<u>35,086</u>	<u>32,758</u>
Creditors: amounts falling due within one year	17	(20,103)	(18,701)
Provisions for liabilities	18	-	(429)
Net current assets		<u>14,983</u>	<u>13,628</u>
Total assets less current liabilities		206,220	164,595
Creditors: amounts falling due after more than one year	19	(132,652)	(113,968)
Provisions for liabilities	18	(429)	-
Net assets		<u>73,139</u>	<u>50,627</u>
Capital and reserves			
Share capital	20	-	-
Designated reserve	21	20,503	17,046
Restricted reserve	22	3	13
Revenue reserve	23a	52,633	33,568
		<u>73,139</u>	<u>50,627</u>

Authorised for issue by the Board of Management on 11 August 2015 and signed on its behalf by:-


R Robertson, Board Member


I Dickson, Board Member


J N Hall, Secretary

The notes on pages 18 to 47 form part of these accounts.

LINK GROUP LIMITED

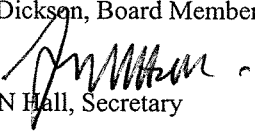
LINK GROUP LIMITED BALANCE SHEET AS AT 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
Tangible fixed assets			
Housing properties - depreciated cost	12b	374,116	345,549
Less: Social housing grants	12b	(239,420)	(221,595)
Other public grants	12b	(2,521)	(2,521)
		<u>132,175</u>	<u>121,433</u>
Other fixed assets	13b	7,615	7,850
Investments	14	100	50
		<u>139,890</u>	<u>129,333</u>
Current assets			
Work in progress	15	2,530	1,944
Debtors	16	8,967	5,514
Cash at bank and in hand		<u>7,467</u>	<u>15,576</u>
		<u>18,964</u>	<u>23,034</u>
Creditors: amounts falling due within one year	17	<u>(10,108)</u>	<u>(11,010)</u>
Net current assets		<u>8,856</u>	<u>12,024</u>
Total assets less current liabilities		<u>148,746</u>	<u>141,357</u>
Creditors: amounts falling due after more than one year	19	<u>(101,676)</u>	<u>(97,822)</u>
Net assets		<u><u>47,070</u></u>	<u><u>43,535</u></u>
Capital and reserves			
Share capital	20	-	-
Designated reserve	21	16,396	16,396
Revenue reserve	23b	<u>30,674</u>	<u>27,139</u>
		<u><u>47,070</u></u>	<u><u>43,535</u></u>

Authorised for issue by the Board of Management on 11 August 2015 and signed on its behalf by:-


R Robertson, Board Member


A Dickson, Board Member


J N Hall, Secretary

The notes on pages 18 to 47 form part of these accounts

LINK GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £'000	2014 £'000
Net cash inflow from operating activities	27	15,210	17,807
Returns on investments and servicing of finance	28a	(5,536)	(4,019)
Capital expenditure	28b	(19,180)	(15,511)
Acquisition of subsidiary	34	<u>6,501</u>	<u>-</u>
Cash (outflow) before use of liquid resources and financing		(3,005)	(1,723)
Financing	28c	<u>2,747</u>	<u>16,980</u>
(Decrease)/increase in cash		<u><u>(258)</u></u>	<u><u>15,257</u></u>

LINK GROUP LIMITED**LINK GROUP LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015**

	Notes	2015 £'000	2014 £'000
Net cash inflow from operating activities	27	9,078	14,648
Returns on investments and servicing of finance	28a	(4,895)	(3,536)
Capital expenditure	28b	(16,145)	(14,914)
Cash (outflow) before use of liquid resources and financing		(11,962)	(3,802)
Financing	28c	3,853	17,561
(Decrease)/increase in cash		(8,109)	13,759

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015

1. ACCOUNTING POLICIES

(a) Introduction and accounting basis

Link Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The 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

The group financial statements consolidate those of Link Group Limited and of its subsidiary undertakings drawn up to 31 March 2015. Profits or losses on intra-group transactions are eliminated in full.

(c) Going concern

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.

(d) 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.

(e) 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.

(f) 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.

1. ACCOUNTING POLICIES (continued)

(g) Mortgages

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

(h) Depreciation

A full year's depreciation is charged in the year of capitalisation/acquisition of all assets and no depreciation charged in the year of disposal.

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.

(i) 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.

(j) 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.

(k) 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.

1. ACCOUNTING POLICIES (continued)

(l) 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 2014/15 under the schemes have been 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.

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.

(m) 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 2014/15, 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.

(n) Lease obligations

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

(o) Provisions

The group recognises provisions when: there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resource will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(p) Taxation

Link is considered to pass the tests set out in paragraph 1 schedule 6 of the Finance Act 2010 and meets the definition of a charitable company for UK corporation tax purposes. Accordingly, it is potentially exempt from taxation in respect of income or capital gains received within categories set out in chapter 3 part II of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent such income or gains are applied exclusively to charitable purposes.

Subsidiary companies are not exempt from taxation except where they meet similar tests as above and taxation is based on the taxable profit or loss for the year after adjusting for the effect of the Gift Aid payment to Link.

(q) Acquisition Accounting

The Group uses the acquisition method of accounting to account for business combinations. Acquisition costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed are incorporated at their fair values at the acquisition date. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. ACCOUNTING POLICIES (continued)

(r) Gift Aid Accounting

Subsidiary companies generating profits for trading activities elect to transfer these to the parent company under the Gift Aid scheme. These are accounted for at parent company level in recognition that they are a distribution of profits rather than an income source.

The ICAEW issued on 31 October 2014 new guidance in relation to the payment of gift aid by subsidiaries. As a result, for the year ended 31 March 2015 and subsequent years gift aid receipts are only recognised as an asset at the year end to the extent that it has been received prior to the year end, there is a deed of covenant prior to the yearend or a Companies Act s288 written resolution has been approved by the subsidiary shareholders in the year to pay the taxable profit for the year to its parent by a certain payment date.

During the year the Board of Management has reconsidered the presentation of Gift Aid receipts in the financial statements. Previously the Board of Management followed the Charity Commission guidance, but now understand that legal advice has been issued contradicting this. As the Board of Management now considers the Gift Aid payment to be akin to a distribution rather than turnover, it is now presented outside of the operating surplus as income from subsidiary undertakings. This has resulted in a decrease in the operating surplus for the prior year by £0.747 million to £4.49 million. This reclassification has no effect on net assets.

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 2015 (Continued)

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

	Turnover 2015 £'000	Operating costs 2015 £'000	Operating surplus/ (deficit) 2015 £'000	Operating surplus/ (deficit) 2014 £'000
Social lettings (note 4a)	33,757	(23,795)	9,962	8,735
Other activities (note 5a)	12,378	(13,304)	(926)	(1,974)
Total	46,135	(37,099)	9,036	6,761
2014 Total	41,322	(34,561)	6,761	

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

	Turnover 2015 £'000	Operating costs 2015 £'000	Operating surplus/ (deficit) 2015 £'000	Operating surplus/ (deficit) 2014 £'000
Social lettings (note 4b)	26,411	(17,419)	8,992	7,092
Other activities (note 5b)	2,749	(5,324)	(2,575)	(2,602)
	29,160	(22,743)	6,417	4,490
2014 Total	27,320	(22,830)	4,490	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (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	2015 Total £'000	2014 Total £'000
Income from rent and service charges					
Rents receivable	31,317	101	1,130	32,548	29,960
Service charges	1,280	-	20	1,300	1,458
Gross income from rent and service charges	32,597	101	1,150	33,848	31,418
Less: rent losses from voids	(354)	-	-	(354)	(423)
Net income from rent and service charges	32,243	101	1,150	33,494	30,995
Other revenue grants	238	-	-	238	258
Other income	25	-	-	25	-
Total turnover from social letting activities	32,506	101	1,150	33,757	31,253
Expenditure					
Management & maintenance administration costs	6,747	58	150	6,955	6,487
Service charges	1,541	2	9	1,552	1,619
Planned & cyclical maintenance & major repairs	2,400	5	-	2,405	3,680
Reactive maintenance costs	5,740	9	1	5,750	4,469
Bad debts – rents & service charges	275	(12)	(3)	260	415
Depreciation of social housing	6,431	22	124	6,577	5,266
Loss on disposal of components	296	-	-	296	582
Operating costs for social letting activities	23,430	84	281	23,795	22,518
Operating surplus / (deficit) for social lettings 2015	9,076	17	869	9,962	8,735
Operating surplus / (deficit) for social lettings 2014	7,836	15	884	8,735	

The cost of property components capitalised in the year was £4,893,600 (2014 - £4,071,599)

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

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

	General needs housing £'000	Supported housing accommodation £'000	Shared ownership accommodation £'000	2015 Total £'000	2014 Total £'000
Income from rent and service charges					
Rents receivable	25,427	35	1,051	26,513	25,111
Service charges	-	-	-	-	-
Gross income from rent and service charges	25,427	35	1,051	26,513	25,111
Less: rent losses from voids	(321)	-	-	(321)	(385)
Net income from rent and service charges	25,106	35	1,051	26,192	24,726
Other revenue grants	219	-	-	219	245
Total turnover from social letting activities	25,325	35	1,051	26,411	24,971
Expenditure					
Management & maintenance administration costs	4,986	14	144	5,144	5,418
Planned & cyclical maintenance & major repairs	2,436	-	-	2,436	3,466
Reactive maintenance costs	4,542	-	-	4,542	3,716
Bad debts – rents & service charges	202	(12)	(3)	187	342
Depreciation of social housing	4,814	3	112	4,929	4,495
Loss on disposal of components	181	-	-	181	442
Operating costs for social letting activities	17,161	5	253	17,419	17,879
Operating surplus / (deficit) for social lettings 2015	8,164	30	798	8,992	7,092
Operating surplus / (deficit) for social lettings 2014	6,252	8	832	7,092	

The cost of property components capitalised in the year was £3,282,899 (2014 - £3,113,856)

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (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 2015 £'000	Operating costs 2015 £'000	Operating surplus / (deficit) 2015 £'000	Total turnover 2014 £'000	Operating costs 2014 £'000	Operating surplus / (deficit) 2014 £'000
Wider role activities	332	-	-	72	404	(1,115)	(711)	195	(895)	(700)
Care and repair of property	211	170	-	227	608	(612)	(4)	629	(601)	28
Factoring	-	-	-	192	192	(463)	(271)	176	(246)	(70)
Development and construction of property activities	-	-	-	126	126	(908)	(782)	-	(883)	(883)
Care & support activities	-	139	2,550	963	3,652	(4,092)	(440)	3,551	(3,785)	(234)
Agency/management services for RSLs	-	-	-	-	-	-	-	22	(4)	18
Other agency / management services	-	-	-	4,163	4,163	(3,719)	444	3,595	(3,504)	91
Development and improvements for sale to non RSLs (incl. shared ownership 1 st tranches & shared equity sales)	-	-	-	499	499	(592)	(93)	352	(297)	55
Business & other development costs	-	-	-	-	-	(469)	(469)	-	(404)	(404)
Publicity and promotion	-	-	-	-	-	(150)	(150)	-	(160)	(160)
Shared equity and sales administration	2,425	-	-	40	2,465	(1,064)	1,401	1,163	(713)	450
Stage 3 adaptations	66	-	-	-	66	(74)	(8)	95	(97)	(2)
Other activities	-	35	-	168	203	(46)	157	291	(25)	266
Provision for liabilities	-	-	-	-	-	-	-	-	(429)	(429)
Total from other activities 2015	3,034	344	2,550	6,450	12,378	(13,304)	(926)	10,069	(12,043)	(1,974)
Total from other activities 2014	1,628	262	2,625	5,554	10,069	(12,043)	(1,974)			

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (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 2015 £'000	Operating costs 2015 £'000	Operating surplus / (deficit) 2015 £'000	Total turnover 2014 £'000	Operating costs 2014 £'000	Operating surplus / (deficit) 2014 £'000
Wider role activities	56	-	-	-	56	(750)	(694)	92	(792)	(700)
Care and repair of property	211	-	-	-	211	(211)	-	219	(219)	-
Factoring	-	-	-	-	-	(20)	(20)	-	(21)	(21)
Development and construction of property activities	-	-	-	-	-	(782)	(782)	-	(883)	(883)
Care & support activities	-	-	-	-	-	(384)	(384)	-	(355)	(355)
Agency/management services for RSLs	-	-	-	191	191	(188)	3	53	(53)	-
Other agency / management services	-	-	-	1,586	1,586	(1,717)	(131)	1,577	(1,707)	(130)
Development and improvements for sale to non RSLs (incl. shared ownership 1 st tranches & shared equity sales)	-	-	-	499	499	(592)	(93)	352	(297)	55
Business & other development costs	-	-	-	-	-	(422)	(422)	-	(355)	(355)
Publicity and promotion	-	-	-	-	-	(150)	(150)	-	(160)	(160)
Shared equity and sales administration	86	-	-	-	86	(108)	(22)	-	(109)	(109)
Other activities	-	35	-	85	120	-	120	56	-	56
Total from other activities 2015	353	35	-	2,361	2,749	(5,324)	(2,575)	2,349	(4,951)	(2,602)
Total from other activities 2014	311	12	-	2,026	2,349	(4,951)	(2,602)			

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

6. GAIN ON DISPOSAL OF FIXED ASSETS

In the year to 31 March 2015 Link Group Limited (parent) achieved a gain on disposal of fixed assets of £259,692 compared to a gain in 2014 of £75,386. 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	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Income and Expenditure Account – Loan Interest	5,569	4,047	4,920	3,560
	<u>5,569</u>	<u>4,047</u>	<u>4,920</u>	<u>3,560</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Emoluments (excluding pension contributions)	435	496	362	360

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

Emoluments (including pension contributions)	Consolidated		Link Group Ltd	
	2015 No.	2014 No.	2015 No.	2014 No.
£60,000 - £69,999	1	2	-	-
£70,000 - £79,999	-	1	-	1
£80,000 - £89,999	2	1	1	-
£90,000 - £99,999	2	1	2	1
£100,000 - £109,999	-	1	-	1
£110,000 - £119,999	1	1	1	1
	6	7	4	4

The emoluments, excluding pension contributions, of the highest paid Director, who is the Chief Executive are £107,119 (2014, £108,023).

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 £12,056 (2014, £11,739).

The pension contributions payable to, or receivable by Directors whose emoluments (excluding pension contributions) exceed £60,000;

	Consolidated		Link Group Ltd	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Pensions contributions	48	55	40	40

Aggregate compensation payable to officers for loss of office:

	Consolidated		Link Group Ltd	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Compensation for loss of office	12	-	-	-

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

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

9. EMPLOYEES

	Consolidated		Link Group Ltd	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Staff costs during the year:				
Wages and salaries	13,761	11,748	3,139	3,295
Social security costs	1,276	1,084	343	354
Other pension costs	1,405	906	470	330
	<u>16,442</u>	<u>13,738</u>	<u>3,952</u>	<u>3,979</u>

	Consolidated		Link Group Ltd	
	2015	2014	2015	2014
	No.	No.	No.	No.
The average number of persons persons employed during the year	<u>595</u>	<u>508</u>	<u>91</u>	<u>91</u>

	Consolidated		Link Group Ltd	
	2015	2014	2015	2014
	No.	No.	No.	No.
The average number of full time equivalent persons employed during the year	<u>512</u>	<u>433</u>	<u>86</u>	<u>86</u>

10. AUDITORS' REMUNERATION

	Consolidated		Link Group Ltd	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Audit of these financial statements	20	16	20	16
Audit of financial statements of subsidiaries	36	33	-	-
Taxation compliance services	8	8	2	2
	<u>64</u>	<u>57</u>	<u>22</u>	<u>18</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

11. HOUSING STOCK – LINK GROUP

Analysis of housing stock by accommodation type

	Units in management		Units under development	
	31 March 2015 Units	31 March 2014 Units	31 March 2015 Units	31 March 2014 Units
Link Group Limited				
Housing accommodation for letting	6,488	6,186	427	257
Shared bedspaces	534	532	-	-
Shared ownership accommodation	478	504	-	-
Larkfield Housing Association Limited				
Housing accommodation for letting	393	394	-	-
Horizon Housing Association				
Housing accommodation for letting	795	796	-	-
Shared ownership accommodation	31	30	-	-
Supported bedspaces	25	1	-	-
West Highland Housing Association				
Housing accommodation for letting	746	-	-	-
Shared ownership accommodation	24	-	-	-
Rent to buy	50	-	-	-
Total units in management	9,564	8,443	427	257

Included in Link Group Limited above are 16 units currently out of management (2014 - 72) and excluded are 271 non-housing units (2014 - 300)

Housing accommodation for letting includes 240 intermediate rent properties leased to another subsidiary. Units under development include 169 intermediate rent properties.

The rent to buy units are managed by West Highland on behalf of Link Housing Association.

The following Link Group Limited units (included above) are managed by other bodies;

Organisation	Units	
	31 March 2015 Units	31 March 2014 Units
Stirling University	85	85
Others	11	11
	96	96

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

12a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES - CONSOLIDATED

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	2015 Total £'000	2014 Total £'000
Cost					
At 1 April 2014	416,781	23,200	18,646	458,627	435,407
Assets acquired under business combination	27,538	788	238	28,564	-
Additions	5,493	69	31,033	36,595	30,355
Transfer Shared Equity & Shared Ownership 1 st tranche to WIP	(304)	304	(172)	(172)	-
Transfers	22,988	-	(22,988)	-	(1,470)
Disposals - initial tranches	-	(33)	(300)	(333)	-
- other sales	(1,968)	(476)	-	(2,444)	(5,665)
At 31 March 2015	470,528	23,852	26,457	520,837	458,627
Depreciation					
At 1 April 2014	46,606	224	-	46,830	43,375
Provided during the year	6,422	155	-	6,577	5,266
On disposals	(1,099)	(22)	-	(1,121)	(1,811)
At 31 March 2015	51,929	357	-	52,286	46,830
Depreciated cost	418,599	23,495	26,457	468,551	411,797
Housing association grant					
At 1 April 2014	240,222	15,867	10,663	266,752	255,268
Additions	183	-	18,596	18,779	12,415
Transfer Shared Equity Grant to Creditors	(169)	169	(154)	(154)	-
Transfers	9,752	-	(9,752)	-	-
Repaid and abated during year	(379)	(340)	(300)	(1,019)	(931)
At 31 March 2015	249,609	15,696	19,053	284,358	266,752
Other capital grants					
At 1 April 2014	2,507	14	-	2,521	2,524
Repaid and abated	-	-	-	-	(3)
At 31 March 2015	2,507	14	-	2,521	2,521
Net book value at 31 March 2015	166,483	7,785	7,404	181,672	142,524
Net book value at 31 March 2014	128,686	5,859	7,979	142,524	

Housing association grants above include no grants from other sources in the year (2014 - nil). Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2014 - nil). Included in property additions is £4,893,600 of property components capitalised in the year (2014 - £4,071,599). Total works expenditure on housing properties amounted to £5,296,602 (2014 - £4,952,926) of which £4,893,600 (2014 - £4,071,599) was capitalised and £403,002 (2014 - £881,327) was expensed. Of the £4,893,600 (2014 - £4,071,599) works capitalised, £4,893,600 (2014 - £4,071,599) were replacements and £nil (2014 - £nil) were improvements.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

12b. 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	2015 Total £'000	2014 Total £'000
Cost					
At 1 April 2014	345,519	21,732	18,644	385,895	363,535
Additions	3,891	-	30,858	34,749	29,303
Transfer Shared Equity & Shared Ownership 1 st tranche to WIP	(304)	304	(172)	(172)	-
Transfers	22,988	-	(22,988)	-	(1,603)
Disposals	-	(33)	-	(33)	-
- initial tranches	(1,473)	(476)	-	(1,949)	(5,340)
- other sales	-	-	-	-	-
At 31 March 2015	370,621	21,527	26,342	418,490	385,895
Depreciation					
At 1 April 2014	38,942	1,404	-	40,346	37,476
Provided during the year	4,809	120	-	4,929	4,495
On disposals	(879)	(22)	-	(901)	(1,625)
At 31 March 2015	42,872	1,502	-	44,374	40,346
Depreciated cost	327,749	20,025	26,342	374,116	345,549
Housing Association Grant					
At 1 April 2014	195,877	15,055	10,663	221,595	210,070
Additions	170	-	18,427	18,597	12,403
Transfer shared equity grant to creditors	-	-	-	-	-
Transfer to WIP	(169)	169	(154)	(154)	-
Transfers	9,752	-	(9,752)	-	-
Repaid and abated during year	(278)	(340)	-	(618)	(878)
At 31 March 2015	205,352	14,884	19,184	239,420	221,595
Other capital grants					
At 1 April 2014	2,507	14	-	2,521	2,524
Repaid and abated during year	-	-	-	-	(3)
At 31 March 2015	2,507	14	-	2,521	2,521
Net book value at 31 March 2015	119,890	5,127	7,158	132,175	121,433
Net book value at 31 March 2014	108,193	5,259	7,981	121,433	

Development administration costs capitalised amounted to £316,259 (2014 - £306,027) for which Housing Association Grant amounting to Nil (2014 - Nil) was received in the year. Total works expenditure on housing properties amounted to £3,560,675 (2014 - £3,942,889) of which £3,282,899 was capitalised (2014 - £3,113,856) and £277,776 (2014 - £829,033) was expensed. Of the works capitalised, £3,282,899 (2014 - £3,113,856) were replacements and £nil (2014 - £nil) were improvements. Housing association grants above include no grants from other sources in the year (2014 - nil). Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2014 - nil).

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

13a. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS - CONSOLIDATED

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	2015 Total £'000	2014 Total £'000
Cost					
At 1 April 2014	8,899	2,182	104	11,185	10,760
Assets acquired under business combination	555	647	1	1,203	-
Additions	210	179	16	405	476
Disposals	-	(305)	-	(305)	(51)
At 31 March 2015	9,664	2,703	121	12,488	11,185
Grant					
At 1 April 2014	-	2	-	2	2
At 31 March 2015	-	2	-	2	2
Depreciation					
At 1 April 2014	1,357	1,281	102	2,740	2,329
Provided during the year	207	273	6	486	461
On disposals	-	(305)	-	(305)	(50)
At 31 March 2015	1,564	1,249	108	2,921	2,740
Net book value at 31 March 2015	8,100	1,452	13	9,565	8,443
Net book value at 31 March 2014	7,545	896	2	8,443	

13b. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS - LINK GROUP LTD

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	2015 Total £'000	2014 Total £'000
Cost					
At 1 April 2014	8,152	1,963	19	10,134	8,972
Additions	-	156	-	156	457
Transfers in	-	-	-	-	711
Disposals	-	(305)	-	(305)	(6)
At 31 March 2015	8,152	1,814	19	9,985	10,134
Depreciation					
At 1 April 2014	1,183	1,086	15	2,284	1,848
Transfers in	-	-	-	-	36
Provided during the year	163	227	1	391	405
On disposals	-	(305)	-	(305)	(5)
At 31 March 2015	1,346	1,008	16	2,370	2,284
Net book value at 31 March 2015	6,806	806	3	7,615	7,850
Net book value at 31 March 2014	6,969	877	4	7,850	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

14. INVESTMENTS

Subsidiary Undertakings

During the financial year Link disposed of Lister Square (No. 108) Limited and the share capital of Link Homes (2001) Limited was transferred from Linkwide Ltd. to Link Group Ltd.

Company	Authorised Capital	Share	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	Provision of maintenance services
Link Homes (2001) Limited	50,000 £1 shares		£50,000	Administration of Shared Equity schemes
Link Energy Limited	100 £1 shares		£1	General commercial activities relating to renewable energy projects
Larkfield Housing Association	N/A		N/A	A Registered Social Landlord, management of social rented housing stock
Horizon Housing Association Limited	N/A		N/A	A Registered Social Landlord, management of social rented housing stock
West Highland Housing Association Limited	N/A		N/A	A Registered Social Landlord, management of social rented housing stock

At 31 March 2015 Link Group Limited held 100% share capital of the subsidiary undertakings listed above, with the exception of Larkfield Housing Association, West Highland Housing Association and Horizon Housing Association, where Link Group Limited has control of the appointment of the Committee of Management.

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.

Lister Square (No. 108) Limited, a subsidiary of Linkwide Limited, was formally dissolved on 13 February 2015.

On 9 September 2014 ownership of the £50,000 share capital in Link Homes (2001) Limited was transferred from Linkwide Limited to Link Group Limited.

At 31 March 2015 West Highland Housing Association Limited held 100% share capital of the following subsidiary undertakings:

Company	Authorised Capital	Share	Issued Share Capital	Principal Activity
West Highland Futures Limited	1 £1 share		£1	Provision of affordable low carbon energy
West Highland Rural Solutions Limited	100 £1 shares		£100	Property Management

The issued share capital of West Highland Futures Limited and West Highland Rural Solutions Limited is held at cost within West Highland Housing Association 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 2015 (Continued)

14. INVESTMENTS (continued)

	Shares in group undertakings 2015 £	Shares in group undertakings 2014 £
Cost		
As at 1 April	50,002	50,002
Shares acquired	50,101	-
Shares redeemed during the year	(1)	-
Cost as at 31 March	100,102	50,002

15. WORK IN PROGRESS

	Consolidated 2015 £'000	2014 £'000	Link Group Ltd 2015 £'000	2014 £'000
At 1 April 2014	1,944	1,771	1,944	1,748
Expenditure on development properties	1,400	742	1,400	742
Cost of disposals transferred to cost of sales	(814)	(569)	(814)	(546)
At 31 March 2015	2,530	1,952	2,530	1,944

16. DEBTORS

	Consolidated 2015 £'000	2014 £'000	Link Group Ltd 2015 £'000	2014 £'000
Arrears of rent and service charges	1,358	1,524	956	1,226
Less: provision for bad and doubtful debts	(543)	(544)	(372)	(447)
HAG receivable	3,342	1,871	3,143	1,871
Revenue grants receivable	11	96	-	-
Other debtors (less provision £98,970 2014 - £98,781)	2,743	2,401	234	461
Prepayments	848	415	180	218
Due from subsidiaries	-	-	4,826	2,185
	7,759	5,763	8,967	5,514

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

16. DEBTORS (continued)

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.

17. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Link Group Ltd	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Housing loans – current instalments due (Note 19)	1,027	753	94	95
Shared equity grants	6,026	5,932	1,968	378
Trade and other creditors	8,889	7,798	4,635	4,946
Taxation and social security	546	507	533	507
Pension contributions	99	114	99	114
Accruals	2,599	2,850	716	1,098
Rents in advance	917	747	631	515
Amounts owed to group undertakings	-	-	1,432	3,357
	20,103	18,701	10,108	11,010

Included in trade and other creditors is an amount of £775,000 (2014 - £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

18. PROVISIONS FOR LIABILITIES

	Consolidated		Link Group Ltd	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Balance at 1 April	429	-	-	-
Charge to the income and expenditure account for the year	-	429	-	-
Balance as at 31 March	429	429	-	-

A claim for damages plus interest and costs, has been made against the Horizon Housing Association, a subsidiary of Link Group, by a local authority in respect of an alleged breach of contract in relation to provision of development services.

Horizon has taken advice from independent expert advisers, and a provision of £429,000 was made in 2014. Horizon is however strongly defending the action and appropriate risk assessments have been carried out to mitigate against any material financial or operational impact on the association

During 2014/15 there has been no material progress in respect of legal proceedings and therefore the value of the provision is still considered appropriate. It is however considered highly unlikely that the matter will be concluded within one year, and the provision has been reclassified in 2015 as falling due after one year.

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

	Consolidated		Link Group Ltd	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Loan Facilities	132,652	113,968	101,676	97,822
	<u>132,652</u>	<u>113,968</u>	<u>101,676</u>	<u>97,822</u>

Analysis of loan facilities	Consolidated		Link Group Ltd	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Housing loans				
Fixed Rate				
Advanced by banks	55,963	43,000	43,000	43,000
Advanced by building societies	7,418	9,849	-	-
Advanced by private lenders	45,691	46,054	45,000	46,053
Variable Rate				
Advanced by banks	16,464	7,000	12,000	7,000
Advanced by building societies	8,142	8,818	1,770	1,864
	<u>133,678</u>	<u>114,721</u>	<u>101,770</u>	<u>97,917</u>

The group has loan facilities of £164.7m, of which £134.7m had been drawn down as at 31 March 2015 (2014 - £114.7m). The loan facility is secured over a number of the Association's housing properties.

Interest on the loans was charged at interest rates between 0.5% and 5.68% (2014, between 0.8250% and 5.5072%)

Analysis of maturity of debt

	Consolidated		Link Group Ltd	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Amounts repayable:				
In one year or less, or on demand	1,027	753	94	95
Between one and two years	1,051	1,830	95	1,150
Between two and five years	12,784	2,511	5,290	295
	<u>14,862</u>	<u>5,094</u>	<u>5,479</u>	<u>1,540</u>
 In five years or more	 118,816	 109,627	 96,291	 96,377
	<u>133,678</u>	<u>114,721</u>	<u>101,770</u>	<u>97,917</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

20. SHARE CAPITAL

	Consolidated		Link Group Ltd	
	2015 No.	2014 No.	2015 No.	2014 No.
Shares of £1 each fully paid and issued				
At beginning of the year	431	424	248	250
Acquired under business combination	278	-	-	-
Shares issued during the year	10	15	4	5
Shares surrendered during the year	(173)	(8)	(87)	(7)
Shares of £1 each fully paid at end of the year	546	431	165	248

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

	Consolidated		Link Group Ltd.	
	2015 Total £'000	2014 Total £'000	2015 Total £'000	2014 Total £'000
Balance at 1 April 2014	17,046	16,960	16,396	16,396
Net transfer from income and expenditure account	3,457	86	-	-
At 31 March 2015	20,503	17,046	16,396	16,396

22. RESTRICTED RESERVE - CONSOLIDATED

	2015 Total £'000	2014 Total £'000
Balance at 1 April 2015	13	-
From income and expenditure account	-	13
To income and expenditure account	(10)	-
At 31 March 2015	3	13

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

23a. REVENUE RESERVES - CONSOLIDATED

	2015 Total £'000	2014 Total £'000
Balance at 1 April 2015	33,568	30,859
Surplus in the year	22,512	2,808
Net transfer (to) designated reserve	(3,447)	(99)
At 31 March 2015	52,633	33,568

23b. REVENUE RESERVES – LINK GROUP LIMITED

	2015 Total £'000	2014 Total £'000
Balance at 1 April 2014	27,139	25,370
Surplus in the year	3,535	1,769
At 31 March 2015	30,674	27,139

24. CAPITAL COMMITMENTS

At 31 March 2015 authorised and contracted commitments outstanding amounted to approximately £48.0m for Link Group Limited (2014 - £20.6m) and £49.2m for the group (2014 – £20.6m).

25. CONTINGENT LIABILITIES

Office Repairs

A contingent liability exists in respect of potential repair or demolition costs associated with Link's share of property at 170 Hope Street, Glasgow. The property is listed but currently unoccupied due to structural safety concerns. The basis on which the costs would be shared is complex and requires interpretation of a number of historical deeds. The extent of potential costs is also uncertain as no decision on the future of the property has been taken. If the property is sold to Glasgow Building Preservation Trust there may be no liability arising. Link does not expect the matter to progress in the short term.

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 2014. As of this date the estimated employer debt for Link Group Limited was £4,663,643.

Financial Guarantee

In connection with the development of properties at Dunbeg which is being carried out in partnership with Link Housing Association Limited, the Association has entered into a bond or financial guarantee in favour of Argyll and Bute Council for the amount of £40,000. The bond relates to an obligation imposed under the development's planning conditions for the construction of a play park area for community recreation within five years of the commencement of the development.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

26. OBLIGATIONS UNDER LEASES

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

CONSOLIDATED	2015		2014	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire: In the second to fifth year inclusive	-	6	-	-
	-	6	-	-

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

	Consolidated		Link Group Ltd	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Operating surplus	9,036	6,761	6,417	4,490
Depreciation charges	7,238	6,128	5,501	5,342
Increase/(decrease) in creditors	(1,746)	4,399	(1,814)	1,924
(Increase)/decrease in debtors	1,280	277	(440)	3,087
Increase/(decrease) in provisions	-	429	-	-
(Increase)/decrease in work in progress	(598)	(187)	(586)	(195)
Net cash inflow from operating activities	15,210	17,807	9,078	14,648

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

28. GROSS CASH FLOWS

	Consolidated		Link Group Ltd	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
(a) Returns on investments and servicing of finance				
Interest received	47	19	37	17
Interest paid	(5,583)	(4,038)	(4,932)	(3,553)
	<u>(5,536)</u>	<u>(4,019)</u>	<u>(4,895)</u>	<u>(3,536)</u>
(b) Capital expenditure				
Acquisition and construction of housing Properties	(35,793)	(27,128)	(33,211)	(26,244)
Purchase of other fixed assets	(420)	(117)	(173)	(457)
Capital grants received	17,507	11,237	17,325	11,238
Grants repaid	(1,408)	(685)	(1,007)	(633)
Sale proceeds of housing properties	921	1,182	921	1,182
Sale proceeds of other fixed assets	13	-	-	-
	<u>(19,180)</u>	<u>(15,511)</u>	<u>(16,145)</u>	<u>(14,914)</u>
(c) Financing				
Loan advances received - housing	9,550	54,053	5,000	54,053
Loan principal repayments - Housing	(6,803)	(37,073)	(1,147)	(36,492)
	<u>2,747</u>	<u>16,980</u>	<u>3,853</u>	<u>17,561</u>

29a. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT - CONSOLIDATED

	2015 £'000	2014 £'000
(Decrease)/Increase in cash in the period	(6,759)	15,257
Cash (inflow) movement in debt	(3,326)	(16,980)
On acquisition	(9,131)	-
Movement in net debt in the period	<u>(19,216)</u>	<u>(1,723)</u>
Net debt at 1 April	<u>(89,678)</u>	<u>(87,955)</u>
Net debt at 31 March	<u>(108,894)</u>	<u>(89,678)</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

**29b. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
LINK GROUP LIMITED**

	2015 £'000	2014 £'000
(Decrease)/increase in cash in the period	(8,109)	13,759
Cash (inflow) movement in debt	(3,853)	(17,561)
Movement in net debt in the period	<u>(11,962)</u>	<u>(3,802)</u>
Net debt at 1 April 2014	<u>(82,341)</u>	<u>(78,539)</u>
Net debt at 31 March 2015	<u><u>(94,303)</u></u>	<u><u>(82,341)</u></u>

30a. ANALYSIS OF NET DEBT - CONSOLIDATED

	At 1 April 2014 £'000	Cash Flows £'000	Cash Acquired £'000	At 31 March 2015 £'000
Cash at bank	25,043	(6,759)	6,501	24,785
Debt due after one year	(113,968)	(3,580)	(15,104)	(132,652)
Debt due within one year	(753)	254	(528)	(1,027)
	<u>(89,678)</u>	<u>(10,085)</u>	<u>(9,131)</u>	<u>(108,894)</u>

30b. ANALYSIS OF NET DEBT - LINK GROUP LIMITED

	At 1 April 2014 £'000	Cash Flows £'000	At 31 March 2015 £'000
Cash at bank	15,576	(8,109)	7,467
Debt due after one year	(97,822)	(3,854)	(101,676)
Debt due within one year	(95)	1	(94)
	<u>(82,341)</u>	<u>(11,962)</u>	<u>(94,303)</u>

31. PENSIONS

Defined Contribution Scheme

415 members of staff are members of the Link group personal pension scheme (2014, 404), of whom 83 are employed by Link Group Limited (2014, 81). 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 2015 amounted to £728,520 (2014 £622,322), of which £313,212 was made in relation to Link Group Limited staff (2014 £295,428).

Defined Benefit Scheme

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 pension scheme.

Horizon H.A. Limited offer all staff membership to the SHAPS Defined Contribution scheme. 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.

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 last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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.

31. PENSIONS (continued)

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 2014. As of this date the estimated employer debt for the Association was £4,663,643.

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.
- Defined Contribution (DC) option

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. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice

Link Group Limited has 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. Following a period of consultation Larkfield Housing Association Limited ceased to offer the Defined Benefit final salary 1/60th scheme, and offer all staff membership to the SHAPS defined contribution scheme, with effect from October 2014.

Horizon Housing Association Limited offer all staff membership to the SHAPS defined contribution scheme.

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, paid contributions at the rate of 12.3% of pensionable salaries. Horizon H.A. Limited paid contributions at the rate of 6%, 9% or 12% of pensionable salaries for members of the defined contribution scheme, and member contributions were up to 5%.

Larkfield H.A. Limited paid contributions at the rate of 12.3% of pensionable salaries until September 2014. From 1st October 2014 Larkfield paid contributions at the rate of 6%, 9% and 12% of pensionable salaries for members of the defined contribution scheme, and member contributions were up to 5%. Link, Larkfield and Horizon all paid contributions to past service deficits based on Technical Provisions Liabilities as at 30th September 2012. Employer contributions amounted to £323,688 (2014: £249,583) during the accounting period for 39 members of staff (2014: 32), of which none (2014: none), related to any members of Link Group Limited staff.

As at the balance sheet date there were 32 (2014, 32) active members of the Scheme employed by Link Group and subsidiaries, none of whom are employed by Link Group Limited (2014, none). Link Group Limited has closed the scheme to new entrants.

Larkfield H.A. Limited elected to offer the operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2014 until 30th September 2014. Following a period of consultation with staff, Larkfield ceased to offer the Defined Benefit final salary 1/60ths and instead offer all staff membership to the SHAPS Defined Contribution scheme, with effect from October 2014.

Valuation Results

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

31. PENSIONS (continued)

2012 Valuation Assumptions	% p.a.
Investment return pre retirement	5.3
Investment return post retirement - Non-pensioners	3.4
Investment return post retirement – Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005	
(for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

Mortality Tables

Non-pensioners	44% of S1PMA (males) and S1PMA (females) projected using CMI 2011 with a long term improvement of 1.5% p.a. for males and 1.25% p.a. for females.
Pensioners	90% of S1PMA (males) and S1PMA (females) projected using CMI 2011 with a long term improvement of 1.5% p.a. for males and 1.25% p.a. for females

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4
Defined Contribution	6%, 9% or 12%

Additional deficit contributions are payable from 1st April 2014 and will increase by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

32. Post Balance Sheet Event

In May 2015, the Lintel Trust joined the group. It is constituted as a Scottish Charitable Incorporated Organisation. Lintel employs one full time employee who transferred to the group and will continue to work for the trust.

33. Related Parties

During the year three tenants had served as Board Members and at March 2015 this number had reduced to two who continued to serve. All the tenancies of the Board Members were on normal commercial terms and none of the tenants could use their position to their advantage. One Board Member is an elected Councillor and there were no transactions between Link and the local authority concerned during the year to March 2015.

One Board Member also serves on the Board of East Lothian Housing Association. This association operates a repairs contracting service and Link appointed the firm a number of years ago, after a competitive tendering exercise, to carry out repairs to most of Link's properties in the East of Scotland. The value of works carried out in the year to March 2015 was £539,818. The Board Member involved did not influence the appointment and nor does he obtain any advantage or has any beneficial interest in the arrangement. Link will be discontinuing the contract during 2015/16, electing to carry out the future repair works through its own In House Trades Team.

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NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

33. Related Parties (continued)

Link Group Limited is exempt from the requirements of FRS 8 to disclose details of transactions with other members of the group headed by Link Group Limited.

34. Business Combination

On 11th December 2014, West Highland Housing Association and its two subsidiaries, West Highland Futures Ltd. and West Highland Rural Solutions Ltd. joined the group. There was no consideration paid on transfer and in accordance with the Housing SORP 2010 and FRS 6, the transfer was accounted for as an acquisition. The fair value of the housing properties acquired was based upon an Existing Use Value - Social Housing valuation carried out by Jones Lang LaSalle Ltd.

The following is a summary of the balanced transferred at fair value on 11th December 2014 and the revaluation adjustments made (negative goodwill was calculated on a full year basis as the acquisition was made on a non-exchange transaction basis):

	Book value at 11 December 2014 £'000	Revaluation £'000	Fair value at 11 December 2014 £'000
Tangible fixed assets			
Housing properties	78,738	50,174	28,564
Less social housing grant	(62,495)	62,495	-
	16,243	12,321	28,564
Other fixed assets	1,203		1,203
Fixed Asset Investments	-		-
Work in Progress	256		256
Debtors	152		152
Investments	2,000		2,000
Bank	4,501		4,501
Creditors: amounts falling due within one year	(2,817)		(2,817)
Net current assets	4,092		4,092
Total assets less current liabilities	21,538		33,859
Creditors: amounts falling due after more than one year	(15,104)		(15,104)
	6,434	12,321	18,755
Negative goodwill	6,434	12,321	18,755

Analysis of net inflow of cash in respect of the business combination:

	11 December 2014 £'000
Cash at bank and in hand	4,501
Cash consideration	0
Total	4,501

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NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2015 (Continued)

35. West Highland Housing Association

West Highland Housing Association achieved a surplus of £418,283 in the period 1 April 2014 to 10 December 2014 (£997,201 in the year 1 April 2013 to 31 March 2014).

West Highland Housing Association Limited contributed £1,017,614 in terms of Turnover and £274,831 in terms of operating surplus to the group to 31 March 2015.

Summary Income and Expenditure Account	Period 1 April 2014 to 10 December 2014	Year to 31 March 2014
	£'000	£'000
Turnover	3,053	3,714
Operating Surplus	824	1,449
Surplus for the period	418	997

36. West Highland Housing Association – West Highland Futures Limited & West Highland Rural Solutions Limited

The board has chosen not to separately present the acquisition of both West Highland Futures Limited (WHFL) and West Highland Rural Solutions Limited (WHRSL) on the grounds of materiality. The net assets acquired from WHFL were £990 and from WHRSL were £23.