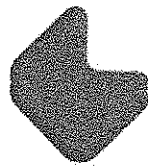


**LINK GROUP LIMITED**



**LINKGROUP**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**Registered Society and Financial Conduct Authority  
Registration No: 1481R(S)**

**Scottish Charity No: SC001026**

**The Scottish Housing Regulator No: HAL 148**

**LINK GROUP LIMITED**

**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

---

<b>Page Number</b>	<b>Contents</b>
1	Board of Management, Directors and Advisors
2 – 9	Report of the Board of Management (including the Strategic Report)
10 – 12	Board of Management Statement on Internal Financial Controls
13	Statement of Board's Responsibilities In Respect of the Report of The Board of Management and the Financial Statements
14 – 15	Independent Auditor's Report to the Members of Link Group Limited
16	Consolidated Statement of Comprehensive Income
17	Link Group Limited Statement of Comprehensive Income
18	Consolidated Statement of Changes in Reserves
18	Link Group Limited Statement of Changes in Reserves
19	Consolidated Statement of Financial Position
20	Link Group Limited Statement of Financial Position
21	Consolidated Statement of Cash Flows
22	Link Group Limited Statement of Cash Flows
23 - 60	Accounting Policies and Notes to the financial statements

## LINK GROUP LIMITED

### BOARD OF MANAGEMENT, DIRECTORS AND ADVISORS

---

#### BOARD OF MANAGEMENT

R Stirrat (Chairman)	D Esslemont (resigned 3 December 2015)
J Hinton (Vice-Chairman)	D Mackie (appointed 8 December 2015)
C Allan (appointed 14 June 2016)	C Macneill
P Biberbach (appointed 10 November 2015)	L McCulloch (appointed 10 November 2015, resigned 29 May 2016)
M Catterall (appointed 14 June 2016)	R Robertson (resigned 9 February 2016)
A Colston	H Sharp (appointed 10 November 2015)
A Diamond	A Smith
I Dickson	D Wilson
C Donaldson	

---

#### CHIEF EXECUTIVE AND DIRECTORS

Chief Executive	C Sanderson
Director of Finance and Corporate Services/Company Secretary	J N Hall
Director of Development and Asset Management	C Culross
Director of Human Resources and Business Support	H Bayne
Director of Housing Services	J Green
Director of LinkLiving	S Smith
Area Manager, Larkfield Housing Association	L Griffin
Managing Director, Horizon Housing Association	J Fitzpatrick
Chief Executive, West Highland Housing Association	L McInnes

---

#### AUDITOR

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

#### BANKER

Bank of Scotland  
38 St Andrews Square  
Edinburgh EH2 2YR

#### SOLICITOR

Burness Paull LLP  
50 Lothian Road  
Edinburgh EH3 9WJ

Harper Macleod LLP  
45 Gordon Street  
Glasgow G1 3PE

---

#### FUNDERS

Royal Bank of Scotland  
Nationwide Building Society

Bank of Scotland  
M&G Investments

Santander Corporate Banking

---

#### REGISTERED OFFICE

2C New Mart Road  
Edinburgh  
EH14 1RL

#### WEB SITE

[www.linkhousing.org.uk](http://www.linkhousing.org.uk)

#### E-MAIL

[linkhousing@linkhousing.org.uk](mailto:linkhousing@linkhousing.org.uk)

## **LINK GROUP LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT**

---

The Board presents its report and the group financial statements for the year ended 31 March 2016. The report includes the Strategic report requirements and disclosures as set out in the new Housing SORP 2014 - Statement of Recommended Practice for Registered Social Housing Providers.

#### **Principal activity**

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

#### **Group Structure**

Link Group Limited (Link) is the parent company in the group, which comprises four Registered Social Landlords (RSLs) and seven operating subsidiaries formed to carry out specific functions.

The results of all the subsidiaries are included in these financial statements and reflected in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position. The purposes and constitutions of the subsidiaries are dealt with in note 14 to the financial statements.

Link Group Limited, Larkfield Housing Association, West Highland Housing Association and Horizon Housing Association (all of which have charitable status) are the four RSLs 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 Link Group Board members are also members of subsidiary boards.

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 each party. The independence agreement confirms the processes and procedures each party will conform to and the basis upon which services will be provided is contained in service level agreements.

The consolidated financial statements of the group reflect the results of all Link subsidiary companies, including Lintel Trust which joined the group on 1 May 2015. Lintel joined the group so that both it and Link could together further invest in supporting social enterprises and Link welcomes the experience and expertise Lintel brings to the group. Accounting standards require that the results of Lintel are stated at fair value. This did not require any adjustment beyond restating the book cost of assets and liabilities acquired. Due to the small scale of Lintel in financial terms there was no material impact on the overall group results as a result of the acquisition.

#### **Group Strategy and Objectives**

Each year Link's Board sets strategic objectives for the group and it consults the subsidiary companies about them. Following agreement to the strategic objectives, the Board also consults the subsidiaries about setting key objectives and targets for forthcoming financial years.

### **Group Strategy and Objectives (continued)**

The subsidiaries add to these objectives and targets, following which a group business plan is 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 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.

Link Group's strategic objectives focus around four key themes from its mission statement. The themes and the objectives flowing from them are as follows:

#### **Providing Homes**

- Build at least 1,800 new rented homes over the next five years that meet people's needs including expansion into the private rented sector.
- Seek opportunities to build for sale, low cost, good quality homes.
- Ensure Link's homes are well maintained, efficient to heat and are adaptable as people's needs change.

#### **Building Communities**

- Work with people to improve their communities.
- Support social enterprises through our purchasing choices and provide help to organisations that share our social enterprise principles.

#### **Valuing People**

- Find out from customers what they want from us and use these insights to drive service improvement.
- Support and encourage our employees, volunteers and Board members to reach their potential.

#### **Working Together**

- Help more people to fulfil their potential through employment, training or volunteering.
- Make best use of our resources and use them to benefit our customers by benchmarking, reviewing value for money and conducting social impact analyses.
- Use our networks to learn from and influence others, and use our knowledge and experience to help others to maximise our impact – particularly in the area of health and social care integration.

## LINK GROUP LIMITED

### REPORT OF THE BOARD OF MANAGEMENT (continued)

#### Operating Performance

Link monitors group performance against peers and other RSLs which form part of the Scottish Housing Network benchmarking group. The Board is satisfied that Link is performing favourably compared to other housing providers and is achieving acceptable results compared with its peers and also compared to all RSLs generally. In addition, the Board monitors Link's financial and operating performance against key targets in Link's business plan and is confident that not only is Link performing well but also it is more than comfortably achieving 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 subsidiaries. All four RSLs complete Annual Returns on the Charter (ARC) to the Scottish Housing Regulator (SHR) and the information is published so that tenants can see how individual RSLs compare across a wide range of indicators.

The ARC contains a complete range of indicators which allows tenants to compare their landlord with others and compare against the Scottish average. Link, in the view of the Board, compares favourably over most indicators although there is scope for improvement. The following indicators reflect some of the positive performance by Link compared to the Scottish RSL average.

Performance Indicator	Link Group	Scottish Average
Percentage tenants satisfied with overall service provided by landlord	85.3%	88.1%
Percentage properties meeting SHQS at year end	98.6%	91.0%
Percentage tenants satisfied with standard of home when moving in	92.5%	86.1%
Average hours to complete emergency repairs	3.2 hours	5.9 hours
Percentage of reactive repair appointments kept	96.8%	92.4%
Percentage tenants satisfied with repairs service	95.7%	89.3%
Percentage gross rent arrears of rent due	4.5%	5.3%
Average calendar days to re-let properties	31.3 days	36.9 days
Percentage average weekly rent increase	2%	2.7%
Percentage void rent loss	0.8%	1.1%

Link's subsidiary, Link Property Limited (LPL), employs Link's In House Trades Team to undertake the majority of the reactive repairs for Link. The service covers Link's three main customer bases throughout Central Scotland and services are being provided to two other subsidiaries in the group. The performance of LPL is also scrutinised by the Link Board through the quarterly performance reporting cycle. LPL has achieved the aims of the group Board which was to improve repair response times and satisfaction with the repairs service.

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 Group Board reviews the performance of the other RSLs in the Link group on a quarterly basis and annually it compares and contrasts the Link group RSL member's performance with the other RSLs in Scotland, based on the publication of the ARC results. Although each of the four Link group RSLs (including Link Group Ltd) operate in different geographical areas all four score highly on key indicators such as the percentage of tenants satisfied with the services provided.

All the RSLs also performed well in terms of rent collection performance and rent arrears management. Also in terms of value for money, void rent loss from vacant periods between tenancies ranged from 0.2% of rent due to the highest

## LINK GROUP LIMITED

### REPORT OF THE BOARD OF MANAGEMENT (continued)

---

#### Operating Performance (continued)

being 0.8% of rent due. A high degree of efficiency in the time taken to re-let homes was also achieved with the average number days for re-let ranging from 8.3 days to 31.3 days. The SHR publishes annually a regulation plan for Link which covers the group and the 2016 plan does not contain any areas of attention or focus in relation to any operating performance deficiencies.

The group Board is satisfied that the group RSL performance is strong across all ARC indicators and the Board will continue to monitor the position to ensure the performance continues.

The CSC is part of the main operating base of Link Housing Association (LHA) Limited. LHA is the subsidiary company which carries out all the housing management functions for Link Group Limited including the management of the social rented housing, mid-market rented housing, 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 around 1,600 properties, let to applicants who were previously homeless.

Link continues to participate in initiatives designed to assist first-time buyers on low incomes in central Scotland through the provision of shared equity grants. The schemes (Help to Buy and the Open Market Shared Equity Scheme) are 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.

The Help to Buy 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 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.

In addition to the Help to Buy and Open Market Shared Equity schemes, Link has developed and sold a number of shared equity properties under an initiative entitled "New Supply Shared Equity". With all these initiatives Link manages grants received from the Scottish Government as its agent and these grants are paid out to Shared Equity buyers. As Link has no financial interest, other than being the scheme administrator for the Scottish Government, the cumulative grants received and paid out are not included in the financial statements.

#### Financial Performance

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

The financial statements reflect the accounting changes introduced by the Statement of Recommended Practice for registered social housing providers, the Housing SORP 2014. The new SORP changed accounting policies in a number of areas and particularly related to depreciation of housing properties, amortisation of grants and pension provision. Since there was a change in accounting policy the results of prior years' have to be re-stated to reflect the impact of these policy changes.

In 2016 Link achieved a surplus for the year of £2.8M (2015 £3.7M). Turnover increased by approximately 10% to £37.8M and operating costs increased by 12% to £30.8M. The income from social letting activities increased by 5.8% (increasing income by £1.7M) and this reflects rent increases applied in April 2015 and rents received from new build completions during the year. Turnover from other activities increased by £1.7M and most of this additional income arose from an increase in gain on sale of properties (gross receipts increased by £1.2M) and income from the Help to Adapt contract managed for the Scottish Government of £0.5M.

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 £8.3M in 2016 (2015, £7M) The total investment in 2016 on all maintenance activities was £10.4M (2015, £10.2M), £2.1M (2015, £3.3M) of which was treated as capital expenditure.

## LINK GROUP LIMITED

### REPORT OF THE BOARD OF MANAGEMENT (continued)

---

#### Financial Performance (continued)

Link's surplus for the year decreased by £0.9M from the 2015 position. The main reason was the reduction from £1.7M to £0.9M in the net surpluses achieved in Link's subsidiary companies and gift aided to Link,. The results for the year are after adjusting for the new accounting policies with regard to property depreciation and grants. There was a substantial increase in the former, offset by a credit from the latter, which resulted in around £0.2M improvement in the surplus as the net result of these accounting changes.

The overall surplus for the year of £2.8M was achieved after meeting interest payable and related finance costs (£5.1M) on loans borrowed to support new properties built and those in the course of construction. The results for 2016 were entirely in line with the Board's expectations and exceeded Link's budget and business plan expectations for 2015/16.

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. 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.

Link's investment in planned maintenance and major repairs ensured that it met the Scottish Housing Quality Standard (SHQS) by the end of 2015 with very few exceptions. The SHQS has now been superseded by the Energy Efficiency Standard for Social Housing (EESH) which has introduced a higher energy efficiency standard to be achieved by 2020. Link is confident that its planned maintenance programme will go a long way to achieving this as a matter of course.

Despite the significant planned maintenance investment in its stock, Link is required by the Housing SORP 2014 to depreciate its housing properties and retained surpluses are calculated after providing for depreciation of £9.4M in 2016 (2015, £8.9M). The depreciation is offset by amortising the grants received to build the properties which results in a credit to income of £4.5M in 2016 (2015, £4.2M).

At 31 March 2016, Link's total reserves amounted to £57.3M, an increase of £2.8M from 2015. 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 Link's development programme, the planned maintenance investment programme and provide a hedge against risk. The total reserves in 2016 are also after providing for Link's pension liability to the Scottish Housing Association Pension scheme of £1.9M (2015, 2M).

The reserves also reflect all the accounting changes required by the Housing SORP 2014. Link's reserves at March 2015 previously stood at £47M compared to the re-stated position of £54.5M. Most of this increase arises from the cumulative credit to income of capital grants received and the gain arising on reclassification of properties as investment properties, offset by the pension liability.

The financial statements include the results of all Link subsidiaries and the Group surplus is shown on page 16. In the year to 31 March 2016 the consolidated surplus for the year (page 16) was £4.4M (2015, £21.4M). The total consolidated reserves amounted to £82M (2015, £77.6M) In 2015 West Highland Housing Association (WHHA) joined the group and the consolidated surplus for the year of £21.4M included accounting for the increase in value of the assets of WHHA over the historic cost of the assets, which amounted to an increase in the surplus of £16.5M.

The Board reviews the financial position of all the group members on a quarterly basis when it considers the consolidated quarterly management accounts. The final results for 2016 are consistent with the performance reported during the year and the Board is satisfied that individually all the group members have performed well financially and the group's consolidated financial position is strong.

#### Investment and Financing

During the year Link invested £31.9M (2015, £31.3M) 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



## LINK GROUP LIMITED

### REPORT OF THE BOARD OF MANAGEMENT (continued)

---

#### Investment and Financing (continued)

Social Housing Grant of £16.7M (2015, £18.4M) 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 2015/16, Link completed 241 properties (2015, 218) comprising 139 for social rent, 10 for New Supply Shared equity and 92 properties to be let at mid-market rents (previously referred to as intermediate rents).

Link maintains £35M of 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. During the five year business plan period, Link anticipates it would require £95M of long term facilities and this sum enables the revolver facilities to be repaid in full. In June 2016 Link completed a further private placement of £15M over a 30 year term at a fixed rate of interest. Link will continue to develop its funding strategy over the coming year to secure the remaining £80M which is required in tranches between 2018 and 2021. Link is confident that it can secure further private placements although if there is a shortage of long term funding Link will either agree further short term facilities with its lenders or scale back its development programme accordingly.

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 2016, 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 and 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 1,800 properties over the five year business plan period through to 2020/21. The business plan includes projections to complete 1,644 properties around 70% of which are intended for social rent with the remainder being mainly for mid-market rent. 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 however, that in certain areas of the country, there is a real need and demand for mid-market 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. Mid-market 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 it will have completed around 500 mid-market rent properties.

#### Business Risks

The main business risks facing the Link group are assessed by each area of the business and reported to the Group Audit and Risk Committee at the time the business plan is being prepared. The risks are further reviewed and assessed mid way during the year by that Committee and at that stage the risk mitigating controls are also reviewed.

The principal risks identified relate to potential increases in pension liabilities (mitigated by the move of group staff to defined contribution schemes) and the impact of welfare reform. As the availability and cost of long term funding has not been an issue for Link, this is not seen as a high risk area despite the scale of the development programme and the

## **LINK GROUP LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT (continued)**

---

#### **Business Risks (continued)**

need to source around £80M of new funding. Unless the financial outlook changes materially Link is confident that it will continue to be an attractive proposition to funders.

Welfare reform is a major challenge being faced by all social housing providers and Link continues to assess the potential impact as a high risk area. As the changes will restrict benefits, including housing benefit, to claimants 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. It is confident that its arrears management policies and procedures will enable Link to cope with the challenge.

#### **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.

With support from the Scottish Government in maintaining current grant levels, 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. It has the financial strength and capacity to work closely with the Scottish Government and others, to continue to provide affordable housing in what could be a challenging financial environment in the aftermath of the outcome of the European Referendum.

Whilst Link seeks to provide more affordable homes, its Board is particularly 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.

Link financial projections are based upon relatively low levels of inflation remaining constant throughout the 30-year plan period. The plan anticipates that rent increases will keep pace with these inflation estimates (although no real rent increases above inflation are assumed) and costs increases will also be contained within the estimated inflation rates. Provided therefore that costs and income keep pace with inflation Link will remain a viable going concern financially. Most of Link's funding is long term and at fixed rates so Link is not exposed to interest rate volatility and current average borrowing rates are well within the business plan projections.

The Scottish Housing Regulator expects RSLs to ensure that they can demonstrate value for money in terms of rents charged and services provided. Link is already working towards that aim and will ensure that it involves tenants in that assessment process.

#### **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. Current membership of the Board is set out on page 1. Board membership at March 2016 stood at 13 Members (as at the date of this report, 14 Members). 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. Staff are guided by the values in Link's equality diversity & inclusion (ED&I) policy, and the ED&I group meets regularly to oversee the achievement of action plans across the group. Link has Investors in Diversity status and remains committed to support staff and Board members in further developing our approach to equality and diversity.

## LINK GROUP LIMITED

### REPORT OF THE BOARD OF MANAGEMENT (continued)

---

#### Employee Involvement

Link employed 649 staff (2015, 595) across the group on average throughout the year. 106 staff members (2015, 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, Investors in Young People award and Healthy Working Lives Gold.

#### Basis of Preparation of Financial statements

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 financial statements 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 30 August 2016.

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: 9 August 2016

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

## **LINK GROUP LIMITED**

### **BOARD OF MANAGEMENT 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 group'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**

The Board has established Standing Orders, which reserves specific powers to the Board and delegates functions and powers to its Sub-Committees, the Senior Management Group and Subsidiary Companies.

The Board operates with three Sub Committees, the Group Audit and Risk Committee (which meets three times a year), the Development Committee (which meets six times a year) and the Remuneration Committee (which meets as required). Board meetings are held bi-monthly and are structured to focus on performance and financial monitoring and to allow sufficient time for the Board to focus on strategic direction. The remit of the three 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 and West Highland Housing Association has a Corporate Services Sub Committee. Link's active non-RSL subsidiary Board members are appointed by the Link Group Board.

#### **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.

#### **Procedure Manuals**

Responsibility levels are set out in detailed procedure manuals. These communicate the groups' 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. Training and development plans for all staff are set annually.

A number of training programmes have also been delivered to all staff and the groups' 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.

**BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (continued)**

---

**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 the financial implications are assessed by reference to established criteria. These risks are incorporated into risk registers which are reviewed by the Senior Management Group, the Group Audit and Risk Committee and the Board itself.

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 of 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. This ensures appropriate corrective action is taken to address any reported weaknesses.

**Internal Audit**

Internal Audit services are provided by an experienced external company. The audit work plan is generated from a detailed Audit Needs Assessment which is based upon a systematic risk assessment of the groups' 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 and External Auditors. The Committee 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 auditor.

**Development Committee**

The remit of the Development Committee is to approve Link's development programme, scrutinise the financial viability of projects and ensure that a full risk assessment, incorporating all appropriate due diligence, is carried out. In addition, the Committee monitors the progress of projects through to completion against programme and budget.

**Remuneration Committee**

The Remuneration Committee's remit is to monitor the performance of the Chief Executive and Directors; to review the salaries of those individuals and to determine whether any performance awards are due. The Committee has an advisory role and will make recommendations to the Board on the aforementioned matters.

**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 Committee staff groups in each RSL oversee the risk assessment programme and regularly review the policies. Link's full-time Health and Safety Officer works closely with the group 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:

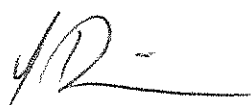
- the reliability of financial information used within the group or for publication;
- the proper authorisation and recording of transactions;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

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 auditor based on the internal audit strategic plan. The Committee follows up on progress made with regard to the implementation of audit recommendations and the internal auditor also checks that the previous year's recommendations are 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 2016 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 auditor's report on the financial statements.

**BY ORDER OF THE BOARD**



I Dickson  
Board Member

Date: 9 August 2016

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

## LINK GROUP LIMITED

### STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE REPORT OF THE BOARD OF MANAGEMENT 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 has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

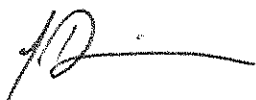
The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

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 group and 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 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The Board of Management has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board of Management 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.



I Dickson  
Board Member

Date: 9 August 2016

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 2016 set out on pages 16 to 60. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2015 and section 69 of the Housing (Scotland) Act 2010 and to the charity's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board and auditor**

As more fully explained in the Statement of Board's Responsibilities set out on page 13, the association's Board of Management is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 2016 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 2015; and
- \* have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).



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

---

### Matters on which we are required to report by exception

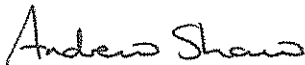
We have nothing to report in respect of the following:

Under the Co-operative and Community Benefit Societies Act 2015 we are required to report to you if, in our opinion:

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

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 12:

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



**Andrew Shaw**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

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

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

*26 August 2016*

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
<b>Turnover</b>	2a	58,421	52,103
Operating expenditure	2a	<u>(48,020)</u>	<u>(41,561)</u>
<b>Operating surplus</b>	2a	10,401	10,542
Interest receivable		96	47
Interest and financing costs	6	(6,086)	(5,569)
Other finance charges		(110)	(166)
Gain on sale of non-housing assets		6	-
Exceptional items – negative goodwill arising from the acquisition of:			
Lintel Trust	30	124	-
West Highland Housing Association Ltd.	30	-	16,501
<b>Surplus on ordinary activities before taxation</b>		<u>4,431</u>	<u>21,355</u>
Taxation		<u>-</u>	<u>-</u>
<b>Surplus for the year</b>		<u>4,431</u>	<u>21,355</u>
<b>Total comprehensive income for the year</b>		<u>4,431</u>	<u>21,355</u>

The results for the year relate wholly to continuing activities. Comparative figures reflect the adoption of the SORP Accounting by Registered Social Housing Providers 2014 and FRS102 (Note 32).

The notes on pages 23 to 60 form part of these accounts.

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
Turnover	2b	37,781	34,315
Operating expenditure	2b	<u>(30,808)</u>	<u>(27,437)</u>
Operating surplus	2b	6,973	6,878
Interest receivable		51	37
Interest and financing costs	6	(5,059)	(4,920)
Other finance charges		(42)	(63)
Income from subsidiary undertakings		853	1,746
Loss on disposal of subsidiary		<u>-</u>	<u>(5)</u>
Surplus on ordinary activities before taxation		2,776	3,673
Taxation		<u>-</u>	<u>-</u>
Surplus for the year		<u>2,776</u>	<u>3,673</u>
Total comprehensive income for the year		<u>2,776</u>	<u>3,673</u>

The results for the year relate wholly to continuing activities. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS 102 (Note 32).

The notes on pages 23 to 60 form part of these accounts.

LINK GROUP LIMITED

STATEMENT OF CHANGES IN RESERVES AS AT 31 MARCH 2016

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

	Revenue Reserve £'000	Restricted Reserve £'000	2016 Total £'000	2015 Total £'000
Balance as at 1 April 2015	77,556	3	77,559	56,204
Surplus from Statement of Comprehensive Income	4,431	-	4,431	21,355
Transfer of restricted expenditure from unrestricted reserve	(65)	65	-	-
Balance as at 31 March 2016	81,922	68	81,990	77,559

LINK GROUP LIMITED STATEMENT OF CHANGES IN RESERVES

	Share Capital £'000	Revenue Reserve £'000	2016 Total £'000	2015 Total £'000
Balance as at 1 April 2015	-	54,546	54,546	50,873
Surplus from Statement of Comprehensive Income	-	2,776	2,776	3,673
Balance as at 31 March 2016	-	57,322	57,322	54,546

The notes on pages 23 to 60 form part of these accounts.

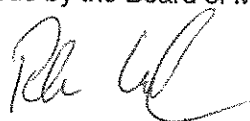
LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
<b>Intangible Assets</b>	11a	518	419
<b>Non-Current Assets</b>			
Tangible fixed assets;			
Housing properties	12a	419,005	393,525
Investments - property	12c	9,000	9,000
Other fixed assets	13a	9,063	9,146
		<u>437,068</u>	<u>411,671</u>
<b>Current assets</b>			
Work in progress & stocks	15	4,938	2,542
Trade and other debtors	16	8,806	7,736
Investments		2,000	2,000
Cash and cash equivalents		<u>21,086</u>	<u>22,785</u>
		<u>36,830</u>	<u>35,063</u>
<b>Creditors: amounts falling due within one year</b>	17	(25,498)	(20,178)
<b>Net current assets</b>		<u>11,332</u>	<u>14,885</u>
<b>Total assets less current liabilities</b>		<u>448,918</u>	<u>426,975</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(137,580)	(132,652)
<b>Deferred income</b>	19	(224,454)	(211,130)
<b>Provisions for liabilities</b>	20	(4,894)	(5,634)
<b>Net assets</b>		<u>81,990</u>	<u>77,559</u>
<b>Capital and reserves</b>			
Restricted reserve		68	3
Revenue reserve		<u>81,922</u>	<u>77,556</u>
<b>Total reserves</b>		<u>81,990</u>	<u>77,559</u>

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

P Biberbach, Board Member



I Dickson, Board Member



J N Hall, Secretary



The notes on pages 23 to 60 form part of these accounts.

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
<b>Intangible Assets</b>	11b	407	419
<b>Non-Current Assets</b>			
Tangible fixed assets;			
Housing properties	12b	331,800	308,530
Investments - property	12c	9,000	9,000
Other tangible fixed assets	13b	7,051	7,196
Intangible non-current assets			
Investments - other	14	100	100
		<u>347,951</u>	<u>324,826</u>
<b>Current assets</b>			
Work in progress	15	4,925	2,530
Trade and other debtors	16	8,824	8,944
Cash and cash equivalents		8,217	7,467
		<u>21,966</u>	<u>18,941</u>
<b>Creditors: amounts falling due within one year</b>	17	(16,079)	(10,176)
<b>Net current assets</b>		<u>5,887</u>	<u>8,765</u>
<b>Total assets less current liabilities</b>		354,245	334,010
<b>Creditors: amounts falling due after more than one year</b>	18	(107,578)	(101,676)
<b>Deferred income</b>	19	(187,477)	(175,801)
<b>Provisions for liabilities</b>	20	(1,868)	(1,987)
<b>Total net assets</b>		<u>57,322</u>	<u>54,546</u>
<b>Capital and reserves</b>			
Share Capital		-	-
Revenue Reserve		57,322	54,546
<b>Total reserves</b>		<u>57,322</u>	<u>54,546</u>

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

P Biberbach, Board Member

I Dickson, Board Member

J N Hall, Secretary

The notes on pages 23 to 60 form part of these accounts

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
<b>Net cash inflow generated from operating activities</b>	27	18,027	15,210
<b>Investing activities</b>			
Acquisition and construction of properties		(39,471)	(35,793)
Acquisition of subsidiary		124	4,501
Purchase of other fixed assets		(497)	(420)
Proceeds on disposal of fixed assets		2,400	934
Grants received		19,395	17,507
Grants repaid		(562)	(1,408)
Interest received on cash and cash equivalents		96	47
<b>Net cash outflow from investing activities</b>		<u>(18,515)</u>	<u>(14,632)</u>
<b>Financing activities</b>			
Interest paid on loans		(6,198)	(5,583)
New loans		6,000	9,550
Loan principal repayments		<u>(1,013)</u>	<u>(6,803)</u>
<b>Net cash outflow from financing activities</b>		<u>(1,211)</u>	<u>(2,836)</u>
Decrease in cash		<u>(1,699)</u>	<u>(2,258)</u>
<b>Opening cash and cash equivalents</b>		<u>22,785</u>	<u>25,043</u>
<b>Closing cash and cash equivalents</b>		<u>21,086</u>	<u>22,785</u>

The notes on pages 23 to 60 form part of these accounts

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
<b>Net cash inflow generated from operating activities</b>	27	14,720	9,078
<b>Investing activities</b>			
Acquisition and construction of properties		(33,734)	(33,211)
Purchase of other fixed assets		(245)	(173)
Proceeds on disposal of fixed assets		2,107	921
Grants received		17,589	17,325
Grants repaid		(538)	(1,007)
Interest received on cash and cash equivalents		51	37
<b>Net cash outflow from investing activities</b>		(14,770)	(16,108)
<b>Financing activities</b>			
Interest paid on loans		(5,105)	(4,932)
New loans		6,000	5,000
Loan principal repayments		(95)	(1,147)
<b>Net cash inflow / (outflow) from financing activities</b>		800	(1,079)
Increase / (decrease) in cash		750	(8,109)
<b>Opening cash and cash equivalents</b>		7,467	15,576
<b>Closing cash and cash equivalents</b>		8,217	7,467

The notes on pages 23 to 60 form part of these accounts



## LINK GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

---

#### LEGAL STATUS

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. It is a Public Benefit Entity in accordance with the definition within FRS 102.

#### 1 ACCOUNTING POLICIES

##### (a) Basis of accounting

The financial statements of Link Group and its group subsidiary companies are prepared in accordance with applicable accounting standards, the accounting requirements included within the Determination of Accounting Requirements 2014, and under the historical cost accounting basis, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 (Housing SORP 2014), issued by the National Housing Federation and under FRS 102. Link Group has now adopted FRS 102 and the SORP 2014 and the Statement of Financial Position has been restated accordingly.

The effect of these restatements is shown in Note 32.

##### (b) Basis of consolidation

The group financial statements consolidate those of Link Group Limited and of its subsidiary undertakings drawn up to 31 March 2016. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

##### (c) Going concern

The Group has healthy cash funds and unutilised loan facilities and the Board of Management is satisfied that there are sufficient resources in place to continue operating in the foreseeable future. The Board is confident that Link will continue to meet all its obligations under loan agreements including meeting loan covenants. On this basis, the Board of Management continue to adopt the going concern basis.

##### (d) Investments in subsidiaries

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) Financial instruments - loans

Loans provided by lenders are classed as "basic" under the requirements of FRS 102 and are measured at amortised cost.

##### (f) Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

##### (g) Tangible fixed assets - housing land and buildings

Housing properties are stated at gross 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

## ACCOUNTING POLICIES (continued)

### (h) Investment properties

Investment properties are properties which are not held for social or affordable housing. They are held at current market valuation and are not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for as a movement through the Statement of Comprehensive Income. Rental income from investment properties is accounted for as income from Other Activities (Note 4) and not as income from Affordable Letting Activities.

### (i) Grants

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised as income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Non-government grants are accounted for using the Performance Method, as outlined in Section 34 of Financial Reporting Standard 102 and the SORP 2014. Non-government grants are recognised as income when the performance conditions have been met.

### (j) Mortgages

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

### (k) Depreciation and impairment

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 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 - 30 years	Boilers – over 12 years

**ACCOUNTING POLICIES (continued)**

**(k) Depreciation and impairment (continued)**

*Other fixed assets*

Capital expenditure incurred on the acquisition and improvement of 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. Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses.

**(l) Work in progress**

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

**(m) Impairment of fixed assets**

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the income and expenditure account.

**(n) Shared Ownership transactions**

First tranche sales of shared ownership properties are treated as sales of current assets, with proceeds being credited to turnover and costs to cost of sales in the Income and Expenditure Account. Sales taking place after the initial purchase are accounted for as a disposal of fixed assets.

**(o) 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.

**(p) Pensions**

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

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

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

## LINK GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

---

#### (q) Value Added Tax

Link Group has group registration for VAT purposes. A large proportion of Link Group's income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. For 2015/16, 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.

#### (r) Lease obligations

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

#### (s) Deposits and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

#### (t) Trade debtors and prepayments/creditors

Trade and other debtors are considered to be basic financial instruments and are recognised at the settlement amount due after any trade discount offered. Prepayments which are also basic financial instruments are valued at the amount prepaid net of any trade discounts due.

Creditors are also financial instruments are recognised where the group has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

If payments were deferred beyond normal business terms and constituted a financing transaction then the debtor or creditor would be measured at the present value of future payments discounted at a market rate appropriate to the debt instrument in question.

#### (u) 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.

#### (v) 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.

#### (w) 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.

**(x) 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.

**(y) 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.

**(z) Restricted reserves**

Donation received from organisations which specify funds are to be used for specific purposes are used for these purposes with any amounts unspent at the year-end being carried forward and placed in restricted reserves to designate that they are not available for unrestricted use by group members.

LINK GROUP LIMITED

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

2a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) – CONSOLIDATED

	2016 Turnover	2016 Operating costs	2016 Operating surplus/ (deficit)	2015 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 3a)	42,341	(32,095)	10,246	10,432
Other activities (note 4a)	16,080	(15,925)	155	110
<b>2016 Total</b>	<b>58,421</b>	<b>(48,020)</b>	<b>10,401</b>	<b>10,542</b>
<b>2015 Total</b>	<b>52,103</b>	<b>(41,561)</b>	<b>10,542</b>	

2b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) – LINK GROUP LIMITED

	2016 Turnover	2016 Operating costs	2016 Operating surplus/ (deficit)	2015 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 3b)	31,463	(23,509)	7,954	8,404
Other activities (note 4b)	6,318	(7,299)	(981)	(1,526)
<b>2016 Total</b>	<b>37,781</b>	<b>(30,808)</b>	<b>6,973</b>	<b>6,878</b>
<b>2015 Total</b>	<b>34,315</b>	<b>(27,437)</b>	<b>6,878</b>	

**LINK GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**3a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM AFFORDABLE LETTING ACTIVITIES – CONSOLIDATED**

	General Needs housing £'000	Supported housing £'000	Shared ownership £'000	2016 Total £'000	2015 Total £'000
<b>Revenue from rent and service charges</b>					
Rents receivable	34,354	103	1,185	35,642	31,706
Service charges receivable	1,263	-	20	1,283	1,300
<b>Gross income from rent and service charges</b>	<b>35,617</b>	<b>103</b>	<b>1,205</b>	<b>36,925</b>	<b>33,006</b>
Less: rent losses from voids	(278)	-	-	(278)	(354)
<b>Net income from rent and service charges</b>	<b>35,339</b>	<b>103</b>	<b>1,205</b>	<b>36,647</b>	<b>32,652</b>
<b>Revenue Grants</b>					
Grants released from deferred income	4,979	68	290	5,337	4,880
Revenue grants from Scottish Ministers	136	-	-	136	75
Other revenue grants	221	-	-	221	238
<b>Other Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>
<b>Total turnover from affordable letting activities</b>	<b>40,675</b>	<b>171</b>	<b>1,495</b>	<b>42,341</b>	<b>37,870</b>
<b>Expenditure</b>					
Management and maintenance administration costs	7,740	18	65	7,823	6,552
Service costs	1,575	3	9	1,587	1,552
Planned and cyclical maintenance & major repair costs	4,117	27	-	4,144	2,484
Reactive maintenance costs	6,226	4	-	6,230	5,681
Bad debts – rents & service charges	184	4	(4)	184	283
Depreciation of affordable let properties	11,295	-	412	11,710	10,731
Loss on disposal of components	417	-	-	417	155
<b>Operating costs for affordable letting activities</b>	<b>31,557</b>	<b>56</b>	<b>482</b>	<b>32,095</b>	<b>27,438</b>
<b>Operating surplus for affordable lettings 2016</b>	<b>9,118</b>	<b>115</b>	<b>1,013</b>	<b>10,246</b>	<b>10,432</b>
<b>Operating surplus for affordable lettings 2015</b>	<b>9,549</b>	<b>19</b>	<b>864</b>	<b>10,432</b>	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2015 - £nil). The cost of property components capitalised in the year was £4,279,538 (2015 - £4,893,600).

LINK GROUP LIMITED

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

3b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM AFFORDABLE LETTING ACTIVITIES - LINK GROUP LIMITED

	General Needs housing £'000	Supported housing £'000	Shared ownership £'000	2016 Total £'000	2015 Total £'000
<b>Revenue from rent and service charges</b>					
Rents receivable	25,909	35	1,053	26,997	25,632
Service charges receivable	-	-	-	-	-
<b>Gross income from rent and service charges</b>	25,909	35	1,053	26,997	25,632
Less: rent losses from voids	(230)	-	-	(230)	(321)
<b>Net income from rent and service charges</b>	25,679	35	1,053	26,767	25,311
<b>Revenue Grants</b>					
Grants released from deferred income	4,168	43	276	4,487	4,211
Revenue grants from Scottish Ministers	-	-	-	-	-
Other income revenue grants	209	-	-	209	219
<b>Total turnover from affordable letting activities</b>	30,056	78	1,329	31,463	29,741
<b>Expenditure</b>					
Management and maintenance administration costs	5,455	9	55	5,519	5,110
Service costs	-	-	-	-	-
Planned and cyclical maintenance & major repair costs	3,845	-	-	3,845	2,436
Reactive maintenance costs	4,431	-	-	4,431	4,480
Bad debts – rents & service charges	153	4	(4)	153	210
Depreciation of affordable let properties	8,983	47	366	9,396	8,920
Loss on disposal of components	165	-	-	165	181
<b>Operating costs for affordable letting activities</b>	23,032	60	417	23,509	21,337
<b>Operating surplus / (deficit) for affordable lettings 2016</b>	7,024	18	912	7,954	8,404
<b>Operating surplus / (deficit) for affordable lettings 2015</b>	7,576	30	798	8,404	

The cost of property components capitalised in the year was £2,089,849 (2015 - £3,282,899)



LINK GROUP LIMITED

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

4a. 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 2016 £'000	Operating costs Bad debts 2016 £'000	Other operating costs 2016 £'000	Operating surplus / (deficit) 2016 £'000	Operating surplus / (deficit) 2015 £'000
Wider role activities	352	-	-	31	383	-	(1,334)	(951)	(716)
Care and repair of property	202	170	-	217	589	-	(593)	(4)	(5)
Factoring	-	-	-	192	192	-	(400)	(208)	(270)
Development and construction of property activities	-	-	-	-	-	-	(659)	(659)	(782)
Support activities	-	108	2,652	973	3,733	-	(4,280)	(547)	(444)
Other agency /management services	-	-	-	4,042	4,042	-	(4,288)	(246)	444
Developments and improvements for sale to non-RSLs	-	-	-	509	509	-	(538)	(29)	(87)
Business & other development costs	-	-	-	-	-	-	(439)	(439)	(469)
Publicity and Promotion	-	-	-	-	-	-	(183)	(183)	(150)
Shared Equity Sales Administration	2,737	-	-	67	2,804	-	(1,481)	1,323	1,399
Investment property activities	-	-	-	881	881	-	(121)	760	789
Gain on sale of properties	-	-	-	2,400	2,400	-	(1,421)	979	244
Other activities	-	25	-	522	547	-	(432)	115	157
Provision for potential costs of litigation released	-	-	-	-	-	-	359	359	-
Provision for sundry bad debts	-	-	-	-	-	(115)	-	(115)	-
<b>Total from other activities 2016</b>	<b>3,291</b>	<b>303</b>	<b>2,652</b>	<b>9,834</b>	<b>16,080</b>	<b>(115)</b>	<b>(15,810)</b>	<b>155</b>	<b>110</b>
<b>Total from other activities 2015</b>	<b>2,968</b>	<b>344</b>	<b>2,550</b>	<b>8,371</b>	<b>14,233</b>	<b>-</b>	<b>(14,123)</b>	<b>110</b>	

# LINK GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 4b. 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 £'000	Operating costs 2016 £'000	Operating surplus / (deficit) 2016 £'000	Operating surplus / (deficit) 2015 £'000
Wider role activities	30	-	-	-	30	(781)	(751)	(694)
Care and repair of property	202	-	-	-	202	(202)	-	-
Investment property activities	-	-	-	881	881	(121)	760	789
Factoring	-	-	-	-	-	(26)	(26)	(20)
Development and construction of property activities	-	-	-	-	-	(659)	(659)	(782)
Care & support activities	-	-	-	-	-	(399)	(399)	(384)
Agency/management services for RSLs	-	-	-	232	232	(230)	2	3
Other agency/management services	-	-	-	1,747	1,747	(1,909)	(162)	(131)
Development and improvements for sale to non RSLs (incl. shared ownership 1 <sup>st</sup> tranches & shared equity sales)	-	-	-	509	509	(538)	(29)	(93)
Business & other development costs	-	-	-	-	-	(385)	(385)	(422)
Publicity and Promotion	-	-	-	-	-	(183)	(183)	(150)
Shared equity and sales administration	473	-	-	-	473	(511)	(38)	(22)
Gain on sale of properties	-	-	-	2,160	2,160	(1,305)	855	260
Other activities	-	25	-	59	84	(50)	34	120
<b>Total from other activities 2016</b>	<b>705</b>	<b>25</b>	<b>-</b>	<b>5,588</b>	<b>6,318</b>	<b>(7,299)</b>	<b>(981)</b>	<b>(1,526)</b>
<b>Total from other activities 2015</b>	<b>353</b>	<b>35</b>	<b>-</b>	<b>4,186</b>	<b>4,574</b>	<b>(6,100)</b>	<b>(1,526)</b>	

# LINK GROUP LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 5. GAIN ON DISPOSAL OF NON-CURRENT ASSETS – HOUSING PROPERTIES

In the year to 31 March 2016 Link Group Limited (parent) achieved a gain on disposal of housing properties of £855,097 compared to a gain in 2015 of £259,692. During the year, Link continued to sell properties under the Right to Buy legislation and also the onward sale of shared ownership tranches.

### 6. INTEREST AND FINANCING COSTS

Finance charges in the year have been charged as follows:-

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Statement of comprehensive income – Loan Interest				
	6,086	5,569	5,059	4,920
	<u>6,086</u>	<u>5,569</u>	<u>5,059</u>	<u>4,920</u>

### 7. DIRECTORS' AND BOARD MEMBERS' EMOLUMENTS

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

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Emoluments (excluding pension contributions)	545	574	395	380
Total Emoluments	<u>792</u>	<u>635</u>	<u>438</u>	<u>402</u>

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

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	No.	No.	No.	No.
Emoluments (including pension contributions)				
£60,000 - £69,999	3	2	-	-
£70,000 - £79,999	1	-	-	-
£80,000 - £89,999	-	1	-	-
£90,000 - £99,999	2	1	1	1
£100,000 - £109,999	1	2	1	2
£110,000 - £119,999	1	1	1	1
£120,000 - £129,999	1	-	1	-
	<u>9</u>	<u>7</u>	<u>4</u>	<u>4</u>

The emoluments, excluding pension contributions, of the highest paid Director, who is the Chief Executive are £105,786 (2015, £107,119). 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 £12,177 (2015, £12,056).

The total emoluments of the Chief Executive for the year was £117,963 (2015, £119,175)

# LINK GROUP LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 7. DIRECTORS' AND BOARD MEMBERS' EMOLUMENTS (continued)

Under FRS 102 Link Group Limited has defined "key management personnel" as the members of the Senior Management Group whose posts are set out on page 1 of the Report and Financial Statements.

The total emoluments of the key management personnel which includes one subsidiary staff member in the case of the consolidated results are:

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Total Emoluments	848	791	438	420

The total emoluments of the key management personnel whose emoluments exceed £60,000 are:

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Emoluments	792	634	438	420

Pension Contributions	77	60	47	40
-----------------------	----	----	----	----

Aggregate compensation payable to officers for loss of office:

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Compensation for loss of office	-	12	-	-

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

Total expenses reimbursed insofar as not chargeable to UK income tax;

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Board of Management	7	7	4	4

# LINK GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 8. EMPLOYEES

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
<b>Staff costs during the year:</b>				
Wages and salaries	14,949	13,761	3,625	3,139
Social security costs	1,337	1,276	380	343
Other pension costs	1,063	1,405	339	470
	<u>17,349</u>	<u>16,442</u>	<u>4,344</u>	<u>3,952</u>

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	No.	No.	No.	No.
The average number of persons employed during the year	<u>647</u>	<u>595</u>	<u>106</u>	<u>91</u>
The average number of full time equivalent persons employed during the year	<u>541</u>	<u>512</u>	<u>97</u>	<u>86</u>

### 9. AUDITOR'S REMUNERATION

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Audit of these financial statements	14	20	14	20
Audit of financial statements of subsidiaries	44	36	-	-
Consultancy advice services	25	-	25	-
Taxation compliance services	8	8	2	2
	<u>91</u>	<u>64</u>	<u>41</u>	<u>22</u>

# LINK GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 10. HOUSING STOCK – LINK GROUP

#### Analysis of housing stock by accommodation type

	Units in management		Units under development	
	31 March 2016 Units	31 March 2015 Units	31 March 2016 Units	31 March 2015 Units
<b>Link Group Limited</b>				
Housing accommodation for letting	6,635	6,488	427	257
Shared bedspaces	525	534	-	-
Shared ownership accommodation	471	478	-	-
<b>Larkfield Housing Association Limited</b>				
Housing accommodation for letting	390	393	-	-
<b>Horizon Housing Association</b>				
Housing accommodation for letting	796	795	-	-
Shared ownership accommodation	30	31	-	-
Supported bedspaces	25	25	-	-
<b>West Highland Housing Association</b>				
Housing accommodation for letting	745	746	-	-
Shared ownership accommodation	23	24	-	-
Rent to buy	50	50	-	-
<b>Total units in management</b>	<b>9,690</b>	<b>9,564</b>	<b>427</b>	<b>257</b>

Included in Link Group Limited above are 8 units currently out of management (2015 -16) and excluded are 300 non-housing units (2015 - 271).

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

#### Organisation

	31 March 2016 Units	31 March 2015 Units
Stirling University	85	85
Others	11	11
	<b>96</b>	<b>96</b>

LINK GROUP LIMITED

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

11a. INTANGIBLE ASSETS – CONSOLIDATED

	Software in development £'000	Software in use £'000	2016 Total £'000	2015 Total £'000
<b>Cost</b>				
At 1 April 2015	-	655	655	629
Additions	111	60	171	26
<b>At 31 March 2016</b>	<b>111</b>	<b>715</b>	<b>826</b>	<b>655</b>
<b>Amortisation</b>				
At 1 April 2015	-	236	236	170
Amortised during the year	-	72	72	66
<b>At 31 March 2016</b>	<b>-</b>	<b>308</b>	<b>308</b>	<b>236</b>
<b>Net book value at 31 March 2016</b>	<b>111</b>	<b>407</b>	<b>518</b>	<b>419</b>
<b>Net book value at 31 March 2015</b>	<b>-</b>	<b>419</b>	<b>419</b>	

11b. INTANGIBLE ASSETS – LINK GROUP LIMITED

	Software in use £'000	2016 Total £'000	2015 Total £'000
<b>Cost</b>			
At 1 April 2015	655	655	629
Additions	60	60	26
<b>At 31 March 2016</b>	<b>715</b>	<b>715</b>	<b>655</b>
<b>Amortisation</b>			
At 1 April 2015	236	236	170
Amortised during the year	72	72	66
<b>At 31 March 2016</b>	<b>308</b>	<b>308</b>	<b>236</b>
<b>Net book value at 31 March 2016</b>	<b>407</b>	<b>407</b>	<b>419</b>
<b>Net book value at 31 March 2015</b>	<b>419</b>	<b>419</b>	

LINK GROUP LIMITED

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

12a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES - CONSOLIDATED

Cost	Housing properties held for letting £'000	Shared Ownership properties £'000	Housing properties in course of construction £'000	Shared ownership properties in course of construction £'000	2016 Total £'000	2015 Total £'000
At 1 April 2015	462,856	23,852	27,567	-	514,275	452,065
Assets acquired under business combination	-	-	-	-	-	28,564
Additions	4,915	-	32,875	510	38,300	36,595
Re-allocation of Shared Equity & Shared Ownership costs from Work In Progress	(63)	63	544	-	544	(172)
Transfers	25,693	510	(25,693)	(510)	-	-
Disposals - initial tranches	-	(110)	-	-	(110)	(333)
- other sales	(2,126)	(398)	(253)	-	(2,777)	(2,444)
At 31 March 2016	491,275	23,917	35,040	-	550,232	514,275
Depreciation						
At 1 April 2015	115,446	5,304	-	-	120,750	111,156
Provided during the year	11,298	412	-	-	11,710	10,731
On disposals	(1,197)	(36)	-	-	(1,233)	(1,137)
At 31 March 2016	125,547	5,680	-	-	131,227	120,750
Net book value at 31 March 2016	365,728	18,237	35,040	-	419,005	393,525
Net book value at 31 March 2015	347,410	18,548	27,567	-	393,525	

Housing association grants above include no grants from other sources in the year (2015 - nil). Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2015 - nil). Included in property additions is £4,279,538 of property components capitalised in the year (2015 - £4,893,600). Total works expenditure on housing properties amounted to £6,069,077 (2015 - £5,296,602) of which £4,279,538 (2015 - £4,893,600) was capitalised and £1,789,539 (2015 - £403,002) was expensed. Of the £4,279,538 (2015 - £4,893,600) works capitalised, £4,279,538 (2015 - £4,893,600) were replacements and £nil (2015- £nil) were improvements.

All housing properties are owned and none are held on a lease. Many of the properties are secured to lenders providing loans required to finance their construction.



LINK GROUP LIMITED

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

12b. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – LINK GROUP LTD.

	Housing properties held for letting £'000	Shared ownership properties £'000	Housing properties in course of construction £'000	Shared Ownership Properties in course of construction £'000	2016 Total £'000	2015 Total £'000
<b>Cost</b>						
At 1 April 2015	364,055	21,527	26,346	-	411,928	379,334
Additions	2,600	-	30,303	510	33,413	34,748
Re-allocation of Shared Equity & Shared Ownership costs from Work In Progress	(63)	63	543	-	543	(172)
Transfers	25,693	510	(25,693)	(510)	-	(33)
Disposals - initial tranches	(1,362)	(110)	-	-	(110)	(1,949)
- other sales	(352)	(352)	(222)	-	(1,936)	(1,949)
<b>At 31 March 2016</b>	<b>390,923</b>	<b>21,638</b>	<b>31,277</b>	<b>-</b>	<b>443,838</b>	<b>411,928</b>
<b>Depreciation</b>						
At 1 April 2015	98,344	5,054	-	-	103,398	95,379
Provided during the year	9,030	366	-	-	9,396	8,920
On disposals	(736)	(20)	-	-	(756)	(901)
<b>At 31 March 2016</b>	<b>106,638</b>	<b>5,400</b>	<b>-</b>	<b>-</b>	<b>112,038</b>	<b>103,398</b>
<b>Net book value at 31 March 2016</b>	<b>284,285</b>	<b>16,238</b>	<b>31,277</b>	<b>-</b>	<b>331,800</b>	<b>308,530</b>
<b>Net book value at 31 March 2015</b>	<b>265,711</b>	<b>16,473</b>	<b>26,346</b>	<b>-</b>	<b>308,530</b>	

Development administration costs capitalised amounted to £390,612 (2015 - £316,259) for which Housing Association Grant amounting to Nil (2015 - Nil) was received in the year.

Total works expenditure on housing properties amounted to £3,455,583 (2015 - £3,560,675) of which £2,089,849 was capitalised (2015 - £3,282,899) and £1,365,734 (2015 - £277,776) was expensed. Of the works capitalised, £2,089,849 (2015 - £3,282,899) were replacements and £nil (2015 - £nil) were improvements. Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2015 - nil).

All housing properties are owned and none are held on a lease. Many of the properties are secured to lenders providing loans required to finance their construction.

LINK GROUP LIMITED

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

12c. TANGIBLE FIXED ASSETS – INVESTMENT PROPERTIES

Investment property – Link Group Limited and Consolidated

	2016 £'000	2015 £'000
Balance at beginning and end of year	<u>9,000</u>	<u>9,000</u>
Historic cost of investment properties	6,563	6,563
Accumulated depreciation	<u>(2,953)</u>	<u>(2,854)</u>
Historic cost net book value	<u>3,610</u>	<u>3,709</u>

Link Group Ltd is responsible for repairs and maintenance of the 85 properties which are leased to a University for student accommodation. The leases are in the course of renegotiation but until new leases are signed the properties have been valued on open market value basis with vacant possession. The valuation was carried out by an independent valuer, Jones Lang Le Salle, a financial and professional services firm specialising in real estate services and investment management.

Any gain or loss arising from a change in fair value is recognised in profit or loss. Rental income from investment property is accounted for as described in note 1 (h) of the accounting policies.

There are no restrictions on the disposal of the properties and they are not held in security for any borrowings.

LINK GROUP LIMITED

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

13a. TANGIBLE NON-CURRENT ASSETS - OTHER NON CURRENT ASSETS - CONSOLIDATED

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	2016 Total £'000	2015 Total £'000
<b>Cost</b>					
At 1 April 2015	9,664	2,047	121	11,832	10,555
Assets acquired under business combination	-	-	-	-	1,203
Additions	11	230	114	355	379
Disposals	-	(246)	(58)	(304)	(305)
<b>At 31 March 2016</b>	<b>9,675</b>	<b>2,031</b>	<b>177</b>	<b>11,883</b>	<b>11,832</b>
<b>Depreciation</b>					
At 1 April 2015	1,564	1,014	108	2,686	2,571
Provided during the year	209	205	24	438	420
On disposals	-	(246)	(58)	(304)	(305)
<b>At 31 March 2016</b>	<b>1,773</b>	<b>973</b>	<b>74</b>	<b>2,820</b>	<b>2,686</b>
<b>Net book value at 31 March 2016</b>	<b>7,902</b>	<b>1,058</b>	<b>103</b>	<b>9,063</b>	<b>9,146</b>
<b>Net book value at 31 March 2015</b>	<b>8,100</b>	<b>1,033</b>	<b>13</b>	<b>9,146</b>	

13b. TANGIBLE NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS - LINK GROUP LTD

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	2016 Total £'000	2015 Total £'000
<b>Cost</b>					
At 1 April 2015	8,152	1,163	19	9,334	9,509
Additions	-	186	-	186	130
Disposals	-	(246)	(1)	(247)	(305)
<b>At 31 March 2016</b>	<b>8,152</b>	<b>1,103</b>	<b>18</b>	<b>9,273</b>	<b>9,334</b>
<b>Depreciation</b>					
At 1 April 2015	1,346	776	16	2,138	2,118
Provided during the year	163	166	1	330	325
On disposals	-	(246)	-	(246)	(305)
<b>At 31 March 2016</b>	<b>1,509</b>	<b>696</b>	<b>17</b>	<b>2,222</b>	<b>2,138</b>
<b>Net book value at 31 March 2016</b>	<b>6,643</b>	<b>407</b>	<b>1</b>	<b>7,051</b>	<b>7,196</b>
<b>Net book value at 31 March 2015</b>	<b>6,806</b>	<b>387</b>	<b>3</b>	<b>7,196</b>	

# LINK GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 14. INVESTMENTS

#### Subsidiary Undertakings

Company	Authorised Share Capital	Issued Share Capital	Principal Activity
Link Housing Association Limited	100 £1 shares	£1	Management of social rented housing stock
Linkwide Limited	Limited by Guarantee	N/A	Development of Community Regeneration initiatives
LinkLiving Limited	Limited by Guarantee	N/A	Providing care and support to Link tenants and others
Link Property Limited	50,000 £1 shares	£50,000	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
Lintel Trust	Limited by Guarantee	N/A	Supporting Social Housing and Community Projects.

At 31 March 2016 Link Group Limited held 100% share capital of the subsidiary undertakings listed above, with the exception of Larkfield Housing Association, West Highland Housing Association, Horizon Housing Association and Lintel Trust where Link Group Limited has control of the appointment of the Board 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. The company is dormant and exempt from audit.

# LINK GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 14. INVESTMENTS (continued)

At 31 March 2016 West Highland Housing Association Limited held 100% share capital of the following subsidiary undertakings:

Company	Authorised Share Capital	Issued Share Capital	Principal Activity
West Highland Futures Limited	1 £1 share	£1	Provision of affordable low carbon energy

The issued share capital of West Highland Futures Limited is held at cost within West Highland Housing Association Limited.

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

	Shares in group undertakings 2016 £'000	Shares in group undertakings 2015 £'000
<b>Cost</b>		
As at 1 April 2015	100	50
Shares acquired	-	50
<b>Cost as at 31 March 2016</b>	<b>100</b>	<b>100</b>

### 15. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>At 1 April 2015</b>	2,542	1,944	2,530	1,944
Expenditure on development properties	3,646	1,412	3,645	1,400
Cost of disposals transferred to cost of sales	(1,250)	(814)	(1,250)	(814)
<b>At 31 March 2016</b>	<b>4,938</b>	<b>2,542</b>	<b>4,925</b>	<b>2,530</b>

**LINK GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

**16. DEBTORS**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Arrears of rent and service charges	1,278	1,441	909	956
Less: Payment plan adjustment	(92)	(29)	(87)	(23)
Less: provision for bad and doubtful debts	(410)	(579)	(278)	(372)
Net rental debtors	776	833	544	561
SHG receivable	4,625	3,143	3,995	3,143
Revenue grants receivable	42	210	-	-
Other debtors (less provision £152,314 2015 - £98,970)	2,899	2,969	171	234
Prepayments	464	581	301	180
Due from subsidiaries	-	-	3,813	4,826
	<b>8,806</b>	<b>7,736</b>	<b>8,824</b>	<b>8,944</b>

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**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing loans – current instalments due (Note 18)	1,086	1,027	97	94
Shared equity grants	8,120	6,026	3,994	1,968
Trade and other creditors	10,556	8,889	6,539	4,635
Taxation and social security	468	546	454	533
Pension contributions	116	99	116	99
Accruals	2,743	2,674	721	784
Housing Grants in advance	1,597	-	1,597	-
Rents in advance	812	917	583	631
Amounts owed to group undertakings	-	-	1,978	1,432
	<b>25,498</b>	<b>20,178</b>	<b>16,079</b>	<b>10,176</b>

Included in trade and other creditors is an amount of £775,000 (2015 - £775,000), representing a grant repayable to the Scottish Government. The amount repayable relates to grant aided flats, which were demolished following the discovery of serious structural defects. Link does not consider the grant repayment to be equitable and has made representations to the Scottish Government for further abatement, although in the accounts the full amount repayable has been provided.

LINK GROUP LIMITED

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

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

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Loan Facilities	137,580	132,652	107,578	101,676

HOUSING LOANS

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Analysis of loan facilities				
Housing loans				
Fixed Rate				
Advanced by banks	55,756	55,963	43,000	43,000
Advanced by building societies	7,003	7,418	-	-
Advanced by private lenders	45,619	45,691	45,000	45,000
Variable Rate				
Advanced by banks	22,284	16,464	18,000	12,000
Advanced by building societies	8,004	8,142	1,675	1,770
	138,666	133,678	107,675	101,770

The group has loan facilities of £163.2m, of which £139.2m had been drawn down as at 31 March 2016 (2015 - £134.7m). The loan facilities are secured over a number of the Association's housing properties. The repayment terms vary between 3 and 29 years.

Interest on the loans was charged at interest rates between 0.5% and 13% (2015, between 0.5% and 13%)

Analysis of maturity of debt

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Amounts repayable:				
In one year or less, or on demand	1,086	1,027	97	94
Between one and two years	1,065	1,051	99	95
Between two and five years	18,830	12,784	11,303	5,290
	20,981	14,862	11,499	5,479
In five years or more	117,685	118,816	96,176	96,291
	138,666	133,678	107,675	101,770

LINK GROUP LIMITED

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

19. DEFERRED INCOME

Social Housing Grants	Consolidated		Link Group Ltd	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Balance as at 1 April	211,130	197,179	175,801	162,187
Liabilities acquired under business combination	-	1,615	-	-
Additions	19,135	18,446	16,701	18,444
Released/repaid as a result of property disposals	(474)	(1,230)	(538)	(618)
Amortised during year	(5,337)	(4,880)	(4,487)	(4,212)
Balance as at 31 March	224,454	211,130	187,477	175,801

The unamortised grant periods vary depending on when the grant was originally paid. None are due to be fully amortised within the next five years.

20. PROVISION FOR LIABILITIES

	Consolidated		Link Group Ltd	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<i>Provision for pension liabilities</i>				
Balance as at 1 April	5,205	5,065	1,987	1,933
Unwinding of the discount factor (interest expense)	110	165	42	63
Deficit contribution paid	(403)	(391)	(154)	(149)
Remeasurements - impact of any change in assumptions	(18)	366	(7)	140
Balance as at 31 March	4,894	5,205	1,868	1,987
<i>Provision for other liabilities</i>				
Balance at 1 April	429	429	-	-
Provision utilised	(70)	-	-	-
Provision released to the statement of comprehensive income	(359)	-	-	-
Balance as at 31 March	-	429	-	-
<b>Total</b>	<b>4,894</b>	<b>5,634</b>	<b>1,868</b>	<b>1,987</b>

*Provision for pension liabilities*

The pension provision relates to the Association's share of past service deficit liabilities within the Scottish Housing Association Pension Scheme (SHAPS). The liability for past service deficit contributions has been calculated in accordance with FRS102 paragraph 28.13A and represents the present value of the contributions payable. The cash outflows have been discounted at a rate of 2.29% (2015 – 2.22%). The past service deficit liability relating to the scheme is recognised in the financial statements of Link Group Limited, though the future pension costs are recognised in the financial statements of Link Housing Association Limited and Lintel Trust. There is no formal agreement in place to reflect this.

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



# LINK GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 20. PROVISION FOR LIABILITIES (continued)

#### *Provision for other liabilities*

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

### 21. SHARE CAPITAL

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	No.	No.	No.	No.
Shares of £1 each fully paid and issued				
At beginning of the year	546	266	165	248
Acquired under business combination	-	278	0	0
Shares issued during the year	10	10	0	4
Shares surrendered during the year	(115)	(8)	(3)	(87)
At end of year	441	546	162	165

### 22. CAPITAL COMMITMENTS

At 31 March 2016 authorised and contracted commitments outstanding amounted to approximately £32.5m for Link Group Limited (2015 - £48.0m) and £36.8m for the group (2015 – £49.2m).

### 23. 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.

#### **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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 24. Related Parties

During the year and at March 2016 two tenants had served as Board Members. The tenancies of the Board Members were on normal commercial terms and neither 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 2016.

Link Group Limited is exempt from the requirements under FRS 102 to disclose details of transactions with other members of the group headed by Link Group Limited.

### 25. OBLIGATIONS UNDER LEASES

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

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	7	2	-	-
In two to five years	26	-	-	-
In over five years	-	-	-	-
	<u>33</u>	<u>2</u>	<u>-</u>	<u>-</u>

### 26. FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities include:

	Consolidated		Link Group Ltd	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Assets measured at amortised cost	31,439	31,946	16,740	16,231
Liabilities measured at amortised cost	(22,003)	(18,274)	(13,802)	(9,451)
Loan commitments measured at cost less no impairment	(138,666)	(133,678)	(107,675)	(101,770)

**27. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES CASHFLOW ANALYSIS**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Surplus for the year	4,431	21,355	2,776	3,673
Depreciation of tangible fixed assets	12,148	11,151	9,726	9,245
Amortisation of intangible fixed assets	72	66	72	66
Decrease/(increase) in debtors	412	1,280	971	(440)
Increase/(decrease) in creditors	4,069	(1,753)	3,858	(3,527)
(Increase) in stock	(2,396)	(598)	(2,395)	(586)
Carrying amount of tangible fixed asset disposals	1,838	898	1,470	865
Negative goodwill on subsidiary acquisition	(124)	(16,501)	-	-
Proceeds from the sale of fixed assets	(2,406)	(986)	(2,160)	(944)
Government grants utilised in the year	(5,337)	(4,880)	(4,487)	(4,211)
Interest payable	6,086	5,569	5,059	4,920
Interest received	(96)	(47)	(51)	(37)
Movement in pension provision	(311)	(344)	(119)	54
Movement in provision for liabilities	(359)	-	-	-
<b>Net cash inflow from operating activities</b>	<b>18,027</b>	<b>15,210</b>	<b>14,720</b>	<b>9,078</b>

**28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(Decrease) / increase in cash in year	(1,699)	(2,258)	750	(8,109)
Cash flow from increase in liquid resources	-	2,000	-	-
Loan repaid	1,013	6,803	95	1,147
Cash received from new loans	(6,000)	(9,550)	(6,000)	(5,000)
Loans acquired under business combination	-	(16,211)	-	-
Change in net debt	(6,686)	(19,216)	(5,155)	(11,962)
Net debt at 1 April 2015	(108,894)	(89,678)	(94,303)	(82,341)
Net debt at 31 March 2016	(115,580)	(108,894)	(99,458)	(94,303)

LINK GROUP LIMITED

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

29. ANALYSIS OF CHANGES IN FINANCING DURING THE CURRENT YEAR

	Consolidated				Link Group Ltd		
	As At 1 April 2015 £'000	Cash flows £'000	Cash Acquired £'000	At 31 March 2016 £'000	As At 1 April 2015 £'000	Cash flows £'000	At 31 March 2016 £'000
Cash at bank and in hand	22,785	(1,823)	124	21,086	7,467	750	8,217
Term deposit	2,000	-	-	2,000	-	-	-
Debt due within one year	(1,027)	(59)	-	(1,086)	(94)	(3)	(97)
Debt due outwith one year	(132,652)	(4,928)	-	(137,580)	(101,676)	(5,902)	(107,578)
	<u>(108,894)</u>	<u>(6,810)</u>	<u>124</u>	<u>(115,580)</u>	<u>(94,303)</u>	<u>(5,155)</u>	<u>(99,458)</u>

# LINK GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 30. BUSINESS COMBINATION

In May 2015, Lintel Trust joined the group. There was no consideration paid on transfer and in accordance with the Housing SORP 2014 and FRS 102, the transfer was accounted for as an acquisition. The fair value of the assets acquired was based upon the existing book value. The following is a summary of the balances transferred:

	Book Value as at May 2015 £,000
<b>Current Assets:</b>	
Debtors	6
Bank	124
<b>Creditors: amounts falling due within one year</b>	(6)
<b>Net Current Assets</b>	<u>124</u>
<b>Capital and Reserves</b>	
Unrestricted Funds	91
Restricted Funds	<u>33</u>
	<u>124</u>

In 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 102, the transfer was accounted for as an acquisition in the 2015 financial statements.

	Book value at 11 December 2014 £'000	Revaluation £'000	Fair value at 11 December 2014 £'000
Housing properties	67,777	(39,213)	28,564
Other fixed assets	1,203		1,203
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	(2,824)		(2,824)
Creditors: amounts falling due after more than one year	(15,104)		(15,104)
Deferred income	(53,102)	51,487	(1,615)
Provision for liabilities	(632)		(632)
	<u>4,227</u>	<u>12,274</u>	<u>16,501</u>
Negative goodwill			<u>16,501</u>

### 31. PENSIONS

#### Defined Contribution Scheme

Link Group Limited offers all staff membership to the SHAPS Defined Contribution scheme, with employer contribution rates of 6%, 9% or 12% of pensionable salaries.

As at the balance sheet date, there were 477 members of staff who were members of the Link group personal pension scheme (2015, 415), of whom 100 are employed by Link Group Limited (2015, 83). 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 2016 amounted to £891,979 (2015 £728,520), of which £338,238 was made in relation to Link Group Limited staff (2015 £313,212).

#### Defined Benefit Scheme – Past Service Deficit Liability

Link Group Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'), a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

Horizon Housing Association Limited closed this scheme to all staff in September 2013.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

#### Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly and increasing by 3% each on 1st April)
---	--

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 31. PENSIONS (continued)

## Present Values of Provision

	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Present value of provision	1,868	1,987	1,933

## Statement of Comprehensive Income Impact

	2016 £'000	2015 £'000
Interest expense	42	63
Remeasurements – impact of any change in assumptions	(7)	139
Contributions paid in respect of future service	18	19
Net scheme expenses	5	5
Total costs recognised in Statement of Comprehensive Income	58	226

## Assumptions

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

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

# LINK GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 32. TRANSITION TO THE FINANCIAL REPORTING STANDARD 102

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2014. As a result of this the comparative figures for the year ended 31 March 2015 have been restated in accordance with FRS 102.

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

#### Reconciliation of Capital and Reserves – Link Group Limited

	Notes	Reported in 2014 Accounts £'000	Restatement £'000	Restated 2014 Accounts £'000
Intangible assets	(x)	-	459	459
Tangible fixed assets - housing properties	(i) & (ii)	121,433	162,521	283,954
Tangible fixed assets - investment properties	(viii)	-	9,000	9,000
Tangible fixed assets - other fixed assets	(x)	7,850	(459)	7,391
Investments		50	-	50
Work in progress		1,944	-	1,944
Debtors		5,514	-	5,514
Cash		15,576	-	15,576
Creditors – due within one year	(vii)	(11,010)	(63)	(11,073)
Creditors – more than one year		(97,822)	-	(97,822)
Deferred income	(i) & (ii)	-	(162,187)	(162,187)
Pension provision	(iii)	-	(1,933)	(1,933)
<b>Net assets</b>		<b>43,535</b>	<b>7,338</b>	<b>50,873</b>
Revenue reserve		27,139	23,734	50,873
Designated Reserves	(v)	16,396	(16,396)	-
<b>Capital and reserves</b>		<b>43,535</b>	<b>7,338</b>	<b>50,873</b>



LINK GROUP LIMITED

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

32. TRANSITION TO THE FINANCIAL REPORTING STANDARD 102 (continued)

Reconciliation of Capital and Reserves – Link Group Limited

	Notes	Reported in 2015 Accounts £'000	Restatement £'000	Restated 2015 Accounts £'000
Intangible assets	(x)	-	419	419
Tangible fixed assets - housing properties	(i) & (ii)	132,175	176,355	308,530
Tangible fixed assets - investment properties	(viii)	-	9,000	9,000
Tangible fixed assets - other fixed assets	(x)	7,615	(419)	7,196
Investments		100	-	100
Work in progress		2,530	-	2,530
Debtors	(vi)	8,967	(23)	8,944
Cash		7,467	-	7,467
Creditors – due within one year	(vii)	(10,108)	(68)	(10,176)
Creditors – more than one year		(101,676)	-	(101,676)
Deferred income	(i) & (ii)	-	(175,801)	(175,801)
Pension provision	(iii)	-	(1,987)	(1,987)
<b>Net assets</b>		<b>47,070</b>	<b>7,476</b>	<b>54,546</b>
Revenue reserve		30,674	23,872	54,546
Designated Reserves	(v)	16,396	(16,396)	-
<b>Capital and reserves</b>		<b>47,070</b>	<b>7,476</b>	<b>54,546</b>

Reconciliation of Restated Surpluses for the Year

LINK GROUP LIMITED

	Notes	Reported in 2015 Accounts £'000	Restatement £'000	Restated 2015 Accounts £'000
Turnover	(ii) & (iv)	29,160	5,155	34,315
Operating Costs	(ii), (iv) & (vii)	(22,743)	(4,694)	(27,437)
Operating Surplus		6,417	461	6,878
Interest receivable		37	-	37
Interest payable		(4,920)	-	(4,920)
Finance Charges	(iii)	-	(63)	(63)
Income from subsidiary undertakings		1,746	-	1,746
Gain on disposal of fixed assets	(iv)	260	(260)	-
Loss on disposal of subsidiary		(5)	-	(5)
<b>Surplus in the year</b>		<b>3,535</b>	<b>138</b>	<b>3,673</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 32. TRANSITION TO THE FINANCIAL REPORTING STANDARD 102 (continued)

CONSOLIDATED	Notes	Reported in 2014 Accounts	Restatement	Restated 2014 Accounts
<b>Reconciliation of Capital and Reserves</b>				
Intangible assets	(x)	-	459	459
Tangible fixed assets – housing properties	(i) & (ii)	142,524	198,385	340,909
Tangible fixed assets – investment properties	(viii)	-	9,000	9,000
Tangible fixed assets – other fixed assets	(x)	8,443	(459)	7,984
Stock and Work in progress		1,952	-	1,952
Debtors	(vi)	5,763	(133)	5,630
Cash		25,043	-	25,043
Creditors – due within one year	(vii)	(18,701)	(63)	(18,764)
Creditors – more than one year		(113,968)	-	(113,968)
Deferred income	(i) & (ii)	-	(197,179)	(197,179)
Pension liability	(iii)	-	(4,433)	(4,433)
Provision for liabilities		(429)	-	(429)
<b>Net assets</b>		<b>50,627</b>	<b>5,577</b>	<b>56,204</b>
Restricted reserves		13	-	13
Revenue reserves		33,568	22,623	56,191
Designated reserves	(v)	17,046	(17,046)	-
<b>Decrease in capital and reserves</b>		<b>50,627</b>	<b>5,577</b>	<b>56,204</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

## 32. TRANSITION TO THE FINANCIAL REPORTING STANDARD 102 (continued)

CONSOLIDATED	Notes	Reported in 2015 Accounts	Restatement	Restated 2015 Accounts
<b>Reconciliation of Capital and Reserves</b>				
Intangible assets	(x)	-	419	419
Tangible fixed assets – housing properties	(i) & (ii)	181,672	211,853	393,525
Tangible fixed assets – investment properties	(viii)	-	9,000	9,000
Tangible fixed assets – other fixed assets	(x)	9,565	(419)	9,146
Stock and Work in progress		2,542	-	2,542
Debtors	(vi)	7,759	(23)	7,736
Current Investments		2,000	-	2,000
Cash		22,785	-	22,785
Creditors – due within one year	(vii)	(20,103)	(75)	(20,178)
Creditors – more than one year		(132,652)	-	(132,652)
Deferred income	(i) & (ii)	-	(211,130)	(211,130)
Pension liability	(iii)	-	(5,205)	(5,205)
Provision for liabilities		(429)	-	(429)
<b>Net assets</b>		<b>73,139</b>	<b>4,420</b>	<b>77,559</b>
Restricted reserves		13	-	3
Revenue reserves		52,633	24,923	77,556
Designated reserves	(v)	20,503	(20,503)	-
<b>Decrease in capital and reserves</b>		<b>73,139</b>	<b>4,420</b>	<b>77,559</b>

# LINK GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

### 32. TRANSITION TO THE FINANCIAL REPORTING STANDARD 102 (continued)

#### Reconciliation of Restated Surpluses for the Year

	Notes	Reported in 2015 Accounts £'000	Restatement £'000	Restated 2015 Accounts £'000
Turnover	(i), (ii) & (iv)	46,135	5,968	52,103
Operating Costs	(i), (ii) & (iv)	(37,099)	(4,462)	(41,561)
Operating Surplus		9,036	1,506	10,542
Interest receivable		47	-	47
Interest payable		(5,569)	-	(5,569)
Exceptional Items	(ix)	18,755	(2,254)	16,501
Finance Charges	(iii)	-	(166)	(166)
Gain on disposal of fixed assets	(ii)	243	(243)	-
<b>Net Increase in Surplus</b>		<b>22,512</b>	<b>(1,157)</b>	<b>21,355</b>

#### Notes

#### (i) Capital Grants and Depreciation

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

#### (ii) Capital Grants and Depreciation (continued)

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

In 2014/15, £4,211,000 of grants were released from deferred income to turnover for the year and operating costs increased by £3,911,000 due to the increased depreciation charge for the year for Link Group Limited

In 2014/15 with regard to the consolidated position, £4,880,000 of grants were released from deferred income to turnover for the year and operating costs increased by £4,154,000 due to the increased depreciation charge for the year.

#### (iii) Pension Provision

Link Group Limited, Horizon Housing Association, Larkfield Housing Association Limited and West Highland Housing Association, participated in the multi-employer defined benefit Scottish Housing Association Pension Scheme. In prior years, the cost of the scheme was accounted for on a defined contribution basis as it was not deemed possible at that time to separately identify the underlying assets and liabilities of individual participating employers

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

**32. TRANSITION TO THE FINANCIAL REPORTING STANDARD 102 (continued)**

This liability was not previously recognised and payments made under this agreement were written off as operating costs. The liability for deficit payments to this scheme has been discounted to its present value of £1,987,000 for Link Group Limited at 31 March 2015. The consolidated present value at 31 March 2015 was £5,205,000.

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

**(iv) Gain or Loss on Disposal of Property**

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

In 2014/15, the Link Group Limited turnover has been increased by £944,000 and operating costs by £684,000, to reflect the net surplus of £260,000 on disposal of properties, which was previously reported after operating surplus. On a consolidated basis turnover was increased by £985,000 and operating costs by £742,000 to reflect the net surplus of £243,000, previously reported after operating surplus.

**(v) Designated Reserves**

SORP 2014 requires that designated reserves are not separately disclosed in the primary financial statements, but added to the revenue reserve; therefore for Link Group Limited designated reserves of £16,396,000 have been added to the revenue reserve at 31 March 2015. On a consolidated basis the revenue reserves were increased by £20,503,000.

**(vi) Fair value of debt with a payment plan.**

In line with the Housing SORP 2014, all debt balances with a payment plan in place at the year-end which cover a period of more than one year have been measured at the present value of the future payments discounted at the weighted average cost of capital for Link Group Limited.

**(vii) Holiday Pay Accrual**

Holiday pay has been accrued in the accounts based on the salary cost of staff with holidays accrued at the year-end, which had not been taken.

**(viii) Investment Properties**

In line with the Housing SORP 2014 properties not meeting the criteria of social or affordable housing are treated as properties held for investment. In Link Group Limited's case this affected two student accommodation schemes which are now held at fair value rather than depreciated cost. The revenue reserves at March 2015 were increased by the difference in value over depreciated cost. This added £5,193,000 to revenue reserves.

**(ix) Acquisition of West Highland Housing Association (WHHA)**

The acquisition balance sheet of WHHA has been adjusted for capital grants, depreciation adjustments, and the recognition of a pension provision and a holiday pay accrual.

**32. TRANSITION TO THE FINANCIAL REPORTING STANDARD 102 (continued)**

**(x) Intangible assets**

Computer software costs, which were previously included within other tangible assets, have been reclassified as intangible assets.

**33 MATERIAL ESTIMATES AND JUDGEMENTS**

***Valuation of Investment Property***

The Group believes that the most significant judgement applied is the valuation of investment properties. As described in note 1, investment properties are held at fair value. The investment property portfolio is valued by an independent valuer and any valuation movement will be reflected in the profit and loss account. This results in inherent volatility in the expected results for the year.

***Pension***

The SHAPS pension scheme provision is valued in these financial statements by an independent actuary. The assumptions used are reviewed by the Board of Management and considered appropriate

***Debtors***

Debtor recoverability is considered throughout the year and appropriate provisions set aside in the financial statements where required.