

LINK GROUP LIMITED



**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

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

Scottish Charity No: SC001026

The Scottish Housing Regulator No: HAL 148

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LINK GROUP LIMITED**REPORT FOR THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022****BOARD OF MANAGEMENT**

R Martin (Chair)	J Flaherty (Resigned January 2022)
C Allan	D Mackie
P Biberbach (Vice Chair)	A Smith (Vice Chair)
S Blackhall	D Bittleston
C Cuthbertson	J Pritchard
I Dickson (Audit Committee Chair)	P Kerr (Vice Chair)

CHIEF EXECUTIVE AND DIRECTORS

Group Chief Executive Officer	J Turner
Group Director of Corporate Services/Company Secretary	J N Hall
Group Director of Communities	S Smith
Group Commercial Director	C Culross
Group Director of People and Governance	H Bayne
Group Finance Director	N Pollard
Managing Director of Link Housing Association	D MacKenzie
Area Manager, Larkfield Housing Association	L Griffin
Chief Executive, Horizon Housing Association	L Cameron
Chief Executive, West Highland Housing Association	L McInnes

AUDITOR

RSM UK Audit LLP
Third Floor
2 Semple Street
Edinburgh
EH3 8BL

BANKER

Bank of Scotland
75 George Street
Edinburgh
EH2 3EW

SOLICITOR

Burness Paull
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Harper Macleod LLP
45 Gordon Street
Glasgow
G1 3PE

INTERNAL AUDITOR

Azets
25 Bothwell Street
Glasgow
G2 6NL

FUNDERS

Royal Bank of Scotland
M&G Investments
Allia Social Impact
Investments

Bank of Scotland
Canada Life
Scottish Widows

Santander Corporate Banking
MetLife

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LINK GROUP LIMITED

REPORT FOR THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022 (Continued)

The Board presents its report and the consolidated Group financial statements for the year ended 31 March 2022. The report includes the Strategic report requirements and disclosures as set out in the Housing 2018 - Statement of Recommended Practice for Registered Social Housing Providers (SORP).

Principal activity

The principal activities of the Group are to provide housing to those in need, property management and maintenance services to meet a range of housing needs. The Group provides support and care to those in need as well as training and development services. The Link Group of companies also provides property management and maintenance services to a significant number of private owners and sharing owners under factored services.

Group Structure

Link Group Limited (Link) is the parent company in the Group, which comprises of four Registered Social Landlords (RSLs) and seven operating subsidiaries, known as “partners”.

The results of all the RSLs and partners 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 partners are included in Note 14 to the financial statements.

Link Group Limited, Horizon Housing Association, Larkfield Housing Association, West Highland Housing Association (all of which have charitable status) are the four RSLs in the Group. As RSL partners, Larkfield, Horizon, and West Highland have retained their assets, names, and identities.

Link Housing Association Ltd converted from company limited by shares to a Cooperative and Community Benefit Society on the 17th of January 2022, as the first step towards converting to a Registered Social Landlord (RSL). This is part of a wider group re-structure and will better reflect the company’s role within the group.

Each RSL partner is wholly owned by Link and has entered into an Intra-Group Agreement with Link which sets out the respective roles and responsibilities of each party. The 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. 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 agreements.

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.

The consolidated financial statements of the Group reflect the results of all Link partner and subsidiary companies as well as separately disclosing the results of Link Group Limited itself.

Group Strategy and Objectives

The Link Group’s Board sets strategic objectives, based upon four key themes from its mission statement. On an annual basis the themes and the objectives which flow from them are reviewed and updated:

- **Supporting People and Communities**
- **Building Success**
- **Ensuring Corporate Wellbeing**

Link has also committed itself to objectives which deliver sustainable outcomes for the future and to meet the Scottish and UK Government as well as the United Nations climate goals. The strategy focuses on 3 key themes, People and Communities, Building Success, and Corporate Well Being. These themes are rooted in operational environmental sustainability targets and objectives to reach carbon net zero within a framework.

LINK GROUP LIMITED**REPORT FOR THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022 (Continued)**

Link provides a diverse range of services to tenants and service users and is active in all of Scotland's Local Authority areas. The Link Board recognises, and values, the specialist expertise that the partner organisations contribute. In developing the overarching strategic direction for the Group an important point of principle is to ensure that the framework is one which resonates across all the organisations and is dynamic enough to allow individual partners to adapt strategic plans reflecting local priorities.

Operating Performance

Link monitors Group performance through comparisons against budgets and financial plans and forecasts along with its peers as well as other RSLs which form part of the Scottish Housing Network Benchmarking Group using Scottish Housing Regulator data. The Board is satisfied that Link is performing strongly compared to other housing providers and is achieving high quality outcomes when compared across the sector. 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 operationally but also is more than comfortably achieving lending covenants, reflecting high quality financial performance.

All four RSLs complete Five-Year Financial Plan, Loan Portfolio and Annual Accounts returns to the Scottish Housing Regulator (SHR). The RSLs also provide copies of their business plans and long-term financial forecasts where required by the SHR Annual Regulation Plans. The borrowers in the Link Group, which are Link Group Limited, West Highland Housing Association and Horizon Housing Association also provide quarterly financial performance information to lenders along with business plans to ensure compliance with all loan agreement terms and covenants.

Link's Group Leadership Team receive monthly financial performance reports and the Link Group Board receives quarterly financial performance reports along with quarterly Key Performance indicators from all the partners and it scrutinises the performance of each area of the Group. All four RSLs complete Annual Returns on the Charter (ARC) to the SHR which are approved by their respective Boards 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 allow 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 whilst recognising that there is always scope for improvement. The following indicators reflect some of the performance by Link compared to the Scottish RSL average.

Performance Indicator	Link Group 2019/20	Link Group 2020/21	Link Group 2021/22	Target 2021/22
Percentage of tenants who feel landlord is good at keeping them informed about services and decisions	94.27%	94.27%	94.27%	
Percentage of tenants satisfied with the opportunities to participate in the landlord's decision making	89.97%	89.97%	89.97%	
Percentage of tenants satisfied with overall service provided by landlord	89.50%	89.50%	89.50%	
Percentage of properties meeting SHQS* year end	99.46%	97.25%	60.62%	99.60%
Percentage of tenants satisfied with quality of home	88.28%	88.28%	88.28%	
Average hours to complete emergency repairs	2.96 hrs	5.44 hrs	4.13 hrs	4 hrs
Percentage of tenants satisfied with repairs service	87.31%	86.31%	90.34%	96.00%
Percentage of tenants who feel rent for their property represents good value for money	76.43%	76.43%	76.43%	84.00%
Percentage collected of rent due	99.12%	100.08%	99.24%	
Percentage gross rent arrears of rent due	4.53%	4.04%	3.64%	5.60%
Percentage of rent due lost through properties being empty	0.58%	0.78%	0.48%	0.60%
Average calendar days to re-let properties	25.57 days	35.66 days	28.11 days	25.00 days
Percentage self-contained properties that meet EESSH*	96.80%	97.2%	93.30%	95.00%

* SHQS – Scottish Housing Quality standards. EESSH – Energy Efficiency Scottish Social Housing.

Link's subsidiary, C~URB 6 Limited (C~URB), formerly known as Link Property Limited, employs Link's in-house trades

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REPORT FOR THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022 (Continued)

team to undertake and manage the majority of the planned maintenance work as well as reactive repairs for Link. The service covers Link's three main customer bases throughout Central Scotland and services are also provided to two other partners in the Group, Larkfield and Horizon. The performance of C~URB is scrutinised by its Board but also the Link Board through the quarterly performance reporting cycle. C~URB continue to develop the range of their service offering and during the year established a window replacement programme which was previously outsourced.

The Link 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 during what has been an extremely challenging period as a result of the global Covid-19 pandemic. The changes to legislation as a result of the pandemic did not adversely affect the RSLs voids, arears and bad debt out-turn for the period. This is primarily owing to the support services provided by the RSL partners to their tenants to sustain tenancies including increased engagement and in some cases financial support.

A high degree of efficiency in the collection of rental income and in the management of rent arrears was also achieved with the rent arrears ranging from 3.72% to 4.53% of rental income due. In terms of value for money, void rent loss from vacant periods between tenancies ranged from 0.12% of rent due to the highest being 0.58% of rent due which is a strong out-turn performance.

The average length of time taken to complete emergency repairs has exceeded our target by 3.3%, in the period emergency repairs increased by 36.9% compared to the prior year. The time taken to complete non-emergency repairs exceeded our target by 42.6%. The non-emergency repairs increased by 73.4% during the year. With significant increases in emergency and non-emergency repairs during the year, an improvement of 24.1% and 1.7%, respectively, were achieved compared to the prior year.

The SHR produced a regulatory engagement plans for 2021-22 and Link continued to meet the established requirements. The SHR has now updated its regulatory plan for the 2022-23 period.

The Link Group Board is satisfied that the RSL performance is strong across all ARC indicators and the Board will continue to monitor the position to ensure the performance continues. The Link Group and the partner RSLs submitted their SHR Annual Assurance statements to the regulator on that basis.

Link Housing Association (LHA) Limited is the subsidiary company which carries out 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. During the year LHA were successful in retendering for management of the City of Edinburgh Council's Private Sector Leasing scheme which involves the management of around 1,400 properties, let to applicants who were previously homeless. The new contract is for a period of 10 years and continues Link's strong relationship with the City of Edinburgh Council.

LHA changed its corporate status from a non-registered trading company to a Co-operative and Community Benefit Society and is going through the process of registration as a registered Social Landlord in the 2022-23 year. This is necessary to ensure that its status reflects the actuality of its activities which are to be entirely social housing related as LHA will transfer its commercial activities such as shared equity and private sector leasing to C~URB 6 Limited during 2022-23.

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, First Home Fund 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 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.

Link manages grants received from the Scottish Government with all these initiatives as its agent and these grants are

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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. The First Home Fund activities were wound down during the financial period by the Scottish Government and therefore this is not an ongoing and future activity for Link as that contract has come to an end in 2021/22.

In addition to the various Scottish Government supported shared equity schemes, Link has developed and sold a number of shared equity properties under an initiative entitled "New Supply Shared Equity" (NSSE). The NSSE scheme is available across Scotland to first time buyers and priority access groups. The scheme allows the access groups to purchase a share of a newbuild home, with Link purchasing the remaining equity.

Link completed the transfer of engagements in relation to Weslo Housing Management during the year. This consisted of the transfer of c.2,500 properties and the tenancy's relating. The integration of other assets, systems, software's, and 61 members of staff. The transfer of engagement to Link resulted in a fair value gain of £32.0m

During the year, as part of the Weslo Housing Management transfer of engagements, Weslo Initiatives became a subsidiary of Link Group Limited from 1 June 2021. On 1 April 2022 the management of the 90 full market and 41 mid-market properties previously leased by Weslo Initiatives from Link Group was transferred to C-URB 6 Limited, also a wholly owned subsidiary of Link Group Limited. As the properties are wholly owned by Link Group no assets were transferred. The 58 commercial factored units previously managed by Weslo Initiatives are now also managed by C-URB 6 from 1 April 2022. As these are externally owned properties no assets were transferred.

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 requirements of the Statement of Recommended Practice for registered social housing providers, the Housing SORP 2018 and the SHR Determination of Accounting Requirements 2019.

In 2022, Link achieved a surplus for the year of £33.6m (2021: £1.4m) and total comprehensive income of £34.0m (2021: £0.9m), this is mainly due to the fair value gain from Weslo (£32.0m). Turnover increased by approximately 53.8% to £72.7m (2021: £47.3m) and operating costs also increased by 52.6% to £63.0m (2021: £41.4m). The income from social letting activities increased by 44.8% (2021: 3.1%), increasing income by £18.8m (2021: £1.27m) and this reflects rent increases applied in April 2021 and rents received from new build completions during the year. The operating surplus from social lettings activities increased by 62.3% (2021: 47.6%).

Included in operating costs is the expenditure on wider role activities of £2.0m (2021: £1.5m). The operating costs also include expenditure on reactive maintenance, planned and cyclical maintenance and major repairs, the cost of which was £14.7m (2021: £10.9m). The total Investment on all maintenance activities was £15.3m (2021: £12.5m), £4.4m (2021: £1.6m) of which was treated as capital expenditure.

Link's operating surplus increased for the period to £9.6m from £5.9m in 2021. Owing to the significant commitment to the development of new homes that Link made in the period borrowing costs have risen by 15.2% (2021 13.9%). This is due to the change in drawn debt to £386m from £228m. After adjustments for interest costs and income from subsidiaries the surplus for the year increased by £33.1m compared to the prior year reduction of £1.1m. This reflects the continued investment by Link in new housing stock which once completed will contribute positively to the turnover and operating surplus and also the fair value gain on the transfer of engagement of Weslo.

The overall total comprehensive income for the year of £34.0m (2021 £0.9m) was achieved after meeting interest payable and related finance costs of £10.0m (2021 £8.2m) on loans borrowed to support new properties built and those in the course of construction. The results for 2022 were in line with the Board's expectations and exceeded Link's budget for 2021/22.

Annual expenditure on planned, cyclical maintenance and major repairs is derived from a 30-year financial 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 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

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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) with a limited number of abeyances and the Energy Efficiency Standard for Social Housing (EESHS) which has introduced a higher energy efficiency standard to be achieved by 2032. Link is confident that its planned maintenance programme will go a long way to achieving this as a matter of course.

Link is required by the Housing SORP 2018 to depreciate its housing properties and retained surpluses are calculated after providing for depreciation of £18.9m during the period (2021 £13.7m). The depreciation is offset by amortising the grants received to build the properties which results in a credit to income of £7.7m in the period (2021 £6.3m).

At 31 March 2022, Link's total reserves amounted to £102.0m, an increase of £34.0m from 2021 when they were £68.0m, this again is mainly due to the fair value gain on business combinations from the acquisition of Weslo Housing Management in June 2021. The increase in reserves is attributable to the surplus achieved. In addition to providing funds for community re-development, these reserves are required to support Link's future development programme, the planned maintenance investment programme and provide a hedge against risk. The total reserves in 2022 are also after recognising Link's pension liability to the Scottish Housing Association Pension scheme of £0.1m (2021: £0.7m).

The financial statements include the results of all Link subsidiaries, and the Link Group surplus is shown on page 22. In the year to 31 March 2022 the consolidated surplus for the year was £36.0m (2021: £6.0m), based on overall Group turnover of £99.4m (2021: £78.5m). The total comprehensive income for the year was £37.2m (2021: £4.1m). The total consolidated reserves amounted to £142.8m (2021: £105.6m).

The results for 2022 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 £89.0m (2021: £95.5m) in new properties for rent and for sale on a shared equity basis across the central belt of Scotland and on replacement of building components. This expenditure was partly financed by Social Housing Grant of £25.3m (2021: £46.9m) with the balance funded by income from property sales, cash flow and loans drawn from Link's loan facilities.

Investment in new properties reflected expenditure on the significant number of projects receiving grant approval from the Scottish Government. During 2021/22, Link completed 1,040 properties, of which 974 (2021: 236) for social rent.

During the year, a total of £158.1m was drawn down. Link Group drew down £80.0m from Scottish Widows and £30.0m from RBS. Link Group also inherited from Weslo Housing Management Ltd loans of £33.1m from Nationwide BS and £15m from Royal Bank of Scotland plc (RBS) which compares to a budgeted drawdown requirement of £247.8m. The closing cash position at the end of the period was £49.2m.

Standard & Poors undertook their annual credit rating assessment, which was finalised in November 2021, and Link maintained its "A" rating although it was taken down one notch from last year's A+ rating it was given, "a stable outlook" by the rating agency.

On 31 March 2021, Link agreed a new term loan facility with Royal Bank of Scotland (RBS) which amounted to £60m and an extension to the revolving credit facility with RBS of £5m and an extra two years on its term. Link also secured long term 30-year fixed rate funding of £80m from Scottish Widows during the period with a drawdown of £40m in September 2021 and then remainder drawn down at the end of the financial period. The Scottish Widows funding was a first in the Scottish RSL sector as it is a Sustainability Linked Loan with objectives linked to Environmental Social and Governance (ESG) targets.

Strong levels of liquidity are maintained as Link has £50m in available revolving credit facilities with committed undrawn

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loan facilities of £16m, this includes £10m available under an RBS loan and a residual facility of £6m available under the Nationwide loans inherited as a result of the Weslo acquisition. Link also has capacity to draw upon an Allia loan availability of £17m and a £60m shelf facility potentially available from MetLife and requirements to draw on these facilities will be assessed as the development programme progresses.

Link is confident that it can secure further long-term finance and if there is a shortage of long-term funding, Link will either agree further short to medium term facilities with its lenders or adjust the timing of the 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 2021, Link's fixed rate borrowings (at 94%) were outside the 80% target which reflects the natural timing of converting short to long-term borrowing in phases, and this will re-adjust over the coming years.

In addition to the housing properties required as security for all its current borrowings, Link has 2,893 units of unencumbered housing stock to be used as security for most of the required future borrowing. Link's current development programme will be financed from the new revolving credit loan facilities along with long term funding and when completed, these properties will also be available as security for future borrowings.

Link has a continuing, substantial pipeline programme of new developments. The business plan projection is to complete 2,995 properties for rent over the five-year business plan period through to 2024/25, in addition to which Link also plans to build a further 386 properties for alternative tenures including shared equity and as an agent for others. The business plan projection for rented properties is to develop approximately 73% 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 more than 1,500 mid-market rent properties under management.

Business Risks and Opportunities

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. 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. Link actively support tenants to recognise and manage the impact of Welfare reform through a network of FCA regulated advisors. In addition, the Housing Officer portfolios have an average of approximately 200 homes per Officer in order that we can continue to work closely with our tenants as the Welfare Reform changes work through the system.

Link continues to deliver on a significant development programme and a specialist Development Sub-Committee of the Board ensures an additional level of governance oversight in this area. The development programme is designed to minimise delivery risk through a deliberate spread of geographical locations, contractors, and tenure types.

The availability and cost of funding has not been an issue for Link to date and this has been further evidenced by the raising of a new private finance through Scotland's first Sustainability Linked Loan of £80 million over 30 years at market leading rates with Scottish Widows. Work in this area will continue through the next year and Link is confident it will continue to be an attractive investment proposition to funders.

At a macro and micro level there remain key economic and financial risks for Link Group of companies. The effects of the pandemic on the global supply chain have been a challenge and the outstanding matters with Brexit have not helped

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in that regard but they have been managed and contained during the year.

By far the bigger risk is the wider economic risk of substantial global and domestic inflation linked with the significant changes in energy prices affecting the Link Group of companies but also more importantly its tenants. This presents very real challenges to balancing the annual rent increase necessary to ensure costs are met whilst being mindful of rent affordability for Link's tenants whether their rent is met by benefits or otherwise. This scenario is combined with a labour market which, coming out of the pandemic and the "great resignation", is experiencing significant wage claims owing to the inflationary backdrop, a lack of suitably experienced and qualified labour and a reluctance to move employers at this

time creating pressures where natural employee turnover is occurring. The third risk at this time is the increasing central bank and bond market interest rate environment which affects the cost of borrowing. Link Group is largely immune to this given it had secured long term funding during the year at competitive rates and that Link Group has a treasury management strategy where the ratio of fixed rate debt compared to variable rate debt is currently 94%/6% but forecast to be at 85%/15%. The Link Group Board is comfortable that the detailed stress testing analysis undertaken on the business plan is of sufficient depth that it covers the key material risk areas for the organisation, irrespective of the cause.

The Link Group Board was pleased that the annual credit rating review by Standard & Poors affirmed a stand-alone credit rating at A with a stable outlook which provides an additional point of external validation of the robustness of the organisation.

Strategic Risk Register

Strategic Risk	Sub-risk	Controls	Indicators/ Outcome/ Monitoring / Reporting/ Relevant KPI
1. Financial Risk/Failure	1.1 Increased organisational debt/ draw down on existing reserves to meet recurrent/ project/ capital expenditure	Existing budgets and expenditure approval requirements accurately set and monitored; budget variance reports produced regularly and review processes set. All development projects are subject to a detailed financial scrutiny and double Finance Team sign off process.	Management Accounts; loan covenant compliance
	1.2 Long term bank or other debt funding is not available	Link maintains a strong financial position to maintain a high level of committed facilities in accordance with the policy	Market intelligence; use of treasury advisors
	1.3 Financial loss due to unfavourable changes to the benefits system and Welfare Reform, including the implementation of the new Universal credit regime; rents become unaffordable to tenants	Monitor arrears regularly; Legal action taken when required; continued dialogue with HB and DWP, staff training; publicise changes and increased personal contact with tenants; invest in tenancy support and financial maximisation services for tenants and training/ IT for housing staff, annual review and progress on Welfare Reform Action Plan and Risk register.	Arrears KPI; Revenue Budget Variance report
	1.4 The financial position deteriorates significantly giving rise to potential defaults on loan covenants	Regular monitoring of financial performance to budget discipline is practised. Regular testing and sensitivity analysis takes place and early mitigating actions implemented where appropriate.	Budget variance reports; sensitivity analysis results.
	1.5 Major fraud (including cyber crime)	Recruitment procedures involve rigorous integrity checking. Financial procedures and controls reviewed regularly; Budget monitoring and reporting; internal and external audit review, training for staff.	Internal & external audit reports

LINK GROUP LIMITED**REPORT FOR THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022 (Continued)**

Strategic Risk	Sub-risk	Controls	Indicators/ Outcome/ Monitoring / Reporting/ Relevant KPI
		Budgetary control, procurement and invoice authorisation processes are designed to ensure Link could not pay for goods not supplied. Checks are made on any payment request detail changes (e.g. notification of bank account charge by supplier) to ensure their requests are genuine. Robust access controls and annual system testing; Accountability to be further enhanced via upcoming critical system log collation and preservation solution to be delivered in 2021.	
2. Deterioration of reputation	2.1 Defamatory public comments made by employees, former employees or other stakeholders.	Social media monitored, conventional media followed regular engagement with tenants and tenant groups (eg tenant scrutiny panel)	KPI, quarterly complaints and compliments. Adverse communications highlighted direct to CEO. Engagement strategy implementation and results monitored Annual/semi annual Board/TSP meetings.
3. Health & Safety risk/ failure	3.1 Failure to safeguard vulnerable tenants and service users from harm through the services Link staff provide as required by legislation.	Link complies with safer recruitment practices and legislation as appropriate to the service being provided. Policies are in place for managing the Disclosure Scotland and SSSC compliance for services to vulnerable people across Scotland. The Care Inspectorate undertakes regular audits of services which includes the recruitment process. The Duty to Refer processes are embedded in the employee relations governance and overseen by HR Business Partners.	Care Inspectorate reports
	3.2 Poor Legionella risk management, policy, procedures, monitoring and reporting.	Adherence to existing Policy, Written Scheme and procedures; undertaking Control Scheme measures, reporting of performance and monitoring. Utilisation of subject appropriate "database" to manage Legionella stock data and programme.	Internal reporting to Hsg Mgt
	3.3 Gas - poor servicing programmes, procedures, monitoring and reporting.	Adherence to existing programmes, Policy and procedures; reporting of performance and ensuring annual services are achieved by anniversary date. Introduction of system generated processes. Increase data collection on contractor's performance. Contractor performance spot checks by external consultant.	Gas safety KPI reported to LGB

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Strategic Risk	Sub-risk	Controls	Indicators/ Outcome/ Monitoring / Reporting/ Relevant KPI
	3.4 Service user, member of staff or member of the public is harmed (includes financial exploitation).	Staff recruited in line with safe recruitment practices and trained in safeguarding policies, procedures, practices. Regulatory compliance/inspections. Support and Supervision. Service audits in line with Quality Assurance Frameworks.	Internal reporting to GLT
4. Governance risk/failure	4.2 Deterioration in Staff Morale	Investors In People; Great Places to Work, Investors in Diversity, Healthy Working Lives accreditation. Culture of openness and consultation; staff surveys. Attractive employment package.	GLT scrutiny through reporting
	4.3 Lack of succession planning	Operational succession has been assessed, and gap areas can be 'plugged' for a period of up to 6 months. There is a noted risk of continued turnover across the senior management and managers grouping due to the age profile. Board succession to be addressed via Succession Plan and reviewed on an annual basis.	Senior staff turnover; Internal audit reports
	4.4 Non-compliance with GDPR legislation	Policies, guidance, toolkit and training available to all employees, volunteers and Board members.	reportable incidents to SHR* & ICO*, KPIs to LGB & GLT
	4.4(a) WHHA non-compliance with aspects of GDPR legislation	Roles/responsibilities, procedures, reviews and monitoring regimes put in place.	reportable incidents to SHR* & ICO*, KPIs to LGB & GLT
	4.5 Non-compliance with Freedom of Information Act	Policies, processes, training and staff dedicated to ensure compliance.	reportable incidents to SHR* & ICO*, KPIs to LGB & GLT
	4.6 Non-compliance with SHR*'s regulatory framework	Submission of all returns on time, regulatory standards self assessment and compliance with engagement plan.	Board approval of regulatory returns
	4.7 Failure to comply with SPSO and First Tier Property Tribunal complaints requirements. Risk of legal action/compensation costs and reputational risk of a significant performance failure.	Verification exercises and self-assessment to identify noncompliance or weaknesses in practice. Quarterly analysis to Board and SLT.	Legal action against Link; complaints KPI
	4.8 Failure to comply with provisions of Housing (Scotland) Act 2014	Policies in place and reviewed regularly. Ongoing staff training of new procedures. Staff hold or working towards CIH qualification	Internal audit reports
Strategic Risk	Sub-risk	Controls	Indicators/ Outcome/ Monitoring /

LINK GROUP LIMITED**REPORT FOR THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022 (Continued)**

			Reporting/ Relevant KPI
	4.9 The organisation experiences one of the governance failures which have arisen in regulatory intervention cases	Ensure that all the governance failures highlighted by the SHR* are understood and wherever possible mitigating actions are implemented and/or early warnings indicators are put in place.	Annual self assessment of compliance with regulatory and financial standards.
	4.10 Non-compliance with EU and Scottish procurement rules and procurement good practice	Asset Manager with requisite skills recruited; Procurement Hub; Training; Toolkits; Specialist Advice	Internal audit reports
	4.11 Failure to demonstrate Link's financial performance to the satisfaction of Link's funders	Experienced staff keep abreast of legislative changes; engage in discussions with funders at the earliest opportunity to negotiate acceptable performance measurement and reporting mechanisms (should accounting changes impact on covenant compliance)	Negative feedback/reminder from lenders for information
	4.12 Lack of Strategic Planning	Business planning/strategy days/ Budgets/ Monitoring/ Reporting to SMG, LHB & LGB	Board involvement and Business Plan approval
	4.13 Failure in Management & Leadership	Training and development/ Staff rewards & competitive benefits	Staff turnover
	4.14 Growth of Link Group's portfolio of activities without appropriate cost and resource assessment/ due diligence	Co-ordinate meetings with prospective partners and produce a business case for each proposal with GLT & LGB. Seek Board approval prior to commencement or expenditure.	Business case to GLT
5. Digital services risk/failure	5.1 Major loss of IT service / cyber attack	Heuristic endpoint and server protection software combined with firewalls on all endpoints on the network. Patching policy compliant with Cyber Essentials. Office365 security package standard for all accounts. Office365 multifactor authentication mandatory for all accounts. Security awareness training delivered annually and at induction. Security controls compliant with Cyber Essentials. Boundary protection via externally managed unified threat management device. All critical systems are subject to grey box penetration testing annually and after a substantial change. A Digital Services Disaster Recovery Plan, reviewed and tested at least annually, which is supported by 3rd party support contracts (e.g. Bridgeall, Nettitude).	Digital services reporting to BIT/GLT

LINK GROUP LIMITED**REPORT FOR THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022 (Continued)**

Strategic Risk	Sub-risk	Controls	Indicators/ Outcome/ Monitoring / Reporting/ Relevant KPI
6. Service risk/failure	6.1 Failure to deliver good quality Reactive and Voids Repairs Service	Review Meetings; Daily, Weekly & Monthly monitoring of Link Property performance (and of their specialist sub-contractors by them); Formal reporting and KPIs for Link Property and subcontractors to Director and Board(s) ISO 9001	Repairs KPIs included – satisfaction, length of time for emergencies and non-emergencies
	6.2 Severe Weather / Major Disaster	Disaster Recovery Plan and business continuity plan in place/Telephone tree system/staff to operate from office nearest to home/work from home	Evaluation of effectiveness of Disaster Recovery Plan
	6.3 Sickness Epidemic /Pandemic	Invoking disaster recovery plan; ensuring health protocols are communicated and followed; ensure staff welfare support and enhanced communication to all stakeholders	Evaluation of effectiveness of Disaster Recovery Plan
	6.4 Tenant perception of value for money remains low	Maintain consultations with tenants. Involvement of Tenant Scrutiny Panel/benchmarking/tenant communication/Collection of data through customer satisfaction surveys/ annual tenancy visits and more widely across other business areas. Monitor tenant and owner satisfaction with landscaping and close cleaning contracts and implement robust contract management procedures.	Customer satisfaction surveys

* SHR - Scottish Housing Regulator, ICO - Information Commissioner's Office

Covid-19 Pandemic

Link has not been immune to the impact and effects of the Covid-19 Pandemic on its business. Albeit, The Link Group has followed the national guidance on respect of the provision of services to its tenants ensuring that urgent and emergency repairs were maintained along with gas maintenance, certification and testing were undertaken wherever practical. As indicated, Link has not seen a significant rise in its rent lost from voids nor has it evidenced significant increases in its rental arrears' outcomes, and this has continued in to the 2021/22 financial period.

Link has been required to furlough some staff in its repairs and maintenance teams and in accordance with the UK Government Job Retention scheme during the financial period, but this largely ended at the beginning of the financial year. This was only undertaken where jobs could not be safely undertaken during the UK wide lockdown. Overall Link has managed to minimise the financial effect with a measured approach to repairs and maintenance offsetting lost revenue from completed units coming in to let.

Link's development programme has during the period seen some periods of partial lockdown and although our contractors and developers have now returned to the development sites, they are operating a socially distanced regime which has had impacts on the timing of planned development completions. It is significant however that Link and its contractor partners have delivered completion of 1,040 homes during the financial period which is a substantial increase on prior years. Link is analysing and reviewing the effect of the new normal working regime on developments sites with its development and contracting partners to identify revised cash flow and expenditure profiles along with projected completion dates. Link does not expect any detrimental financial effects to accrue as a result of the development contracts and post pandemic trading conditions.

LINK GROUP LIMITED**REPORT FOR THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022 (Continued)**

Business Outlook

Link has a strong development programme and is committed both to growth in its services to customers and is committed to playing its part in the Scottish Governments delivery ambitions of 110,000 affordable homes over the next 10 years. 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 innovative development solutions and this year the first of our new Retirement Living developments has been completed.

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 SHR 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.

Link also recognises that an important aspect of community wellbeing is wider care and support infrastructure. LinkLiving is a key part of the Group providing a range of services from employability services using our specialist Scottish Qualifications Authority (SQA) accredited academy in Falkirk through to young person's mental health services in Edinburgh. The ongoing development of this area of the organisation will be a priority moving forward.

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 2022 stood at 11 Members (as at the date of this report, 11 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.

Employee Involvement

Link employed 848 staff (2021: 725) across the Link Group of companies on average throughout the year. Of those 162 staff members (2021: 125) 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

LINK GROUP LIMITED

REPORT FOR THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022 (Continued)

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 indicate 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.

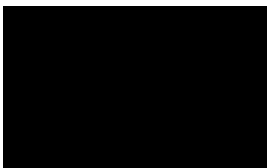
Auditor

A resolution to appoint an auditor will be proposed to the annual general meeting to be held on 13 September 2022.

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



Date: 23 August 2022

Registered Office:
Link House, 2c, New Mart Road, Edinburgh, EH14 1RL

LINK GROUP LIMITED**BOARD OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS**

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 Group Leadership Team and partner 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 partner 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 focused policies which are approved by the relevant partner 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 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.

LINK GROUP LIMITED**BOARD OF MANAGEMENT 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 Group Leadership Team, 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 and 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. Partner Boards also receive reports from the external and internal auditors.

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 OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS (continued)**

Statement

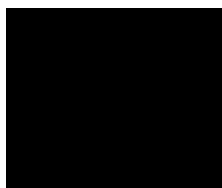
The Board acknowledges its ultimate responsibility for ensuring that the Group has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- 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 misstatement or loss.

In ensuring it meets its responsibilities, the Board has delegated the scrutiny of control functions to the Group 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 Group 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 Group 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 2022 and internal financial control systems of the wider Group including all partner 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

Date: 23 August 2022

Registered Office:
Link House, 2c, New Mart Road, Edinburgh, EH14 1RL

LINK GROUP LIMITED**STATEMENT OF BOARD'S RESPONSIBILITIES UNDER THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014 FOR A REGISTERED SOCIAL LANDLORD**

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the Group and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

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

The Board is responsible for instituting adequate systems of internal control and for:

- safeguarding assets
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website.

The Board is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association and Group. The Board of Management must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements contained within the act. The Scottish Housing Regulator's standards of governance and financial management for Registered Social Landlords must be followed. The Board of Management is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of Link Group Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Changes in Reserves, Consolidated and Association Statement of Financial Position, Consolidated and Association Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2022 and of the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern basis for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement on page 21, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Group and the Association operates in and how the Group and the Association are complying with the legal and regulatory frameworks.
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud.
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Housing SORP 2018, the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

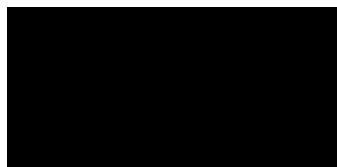
The most significant laws and regulations that have an indirect impact on the financial statements are the Scottish Housing Regulator's Regulatory Framework (published 2019) and the Housing (Scotland) Acts 2006 and 2014. We performed audit procedures to inquire of management and those charged with governance whether the Group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



For and on behalf of RSM UK Audit LLP

Statutory Auditor

Chartered Accountants

Third Floor

2 Semple street

Edinburgh

EH3 8BL

29/8/2022 | 09:01 BST

Date

LINK GROUP LIMITED

REPORT BY THE AUDITOR TO THE MEMBERS OF LINK GROUP LIMITED ON CORPORATE GOVERNANCE MATTERS

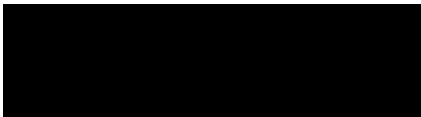
In addition to our audit of the Financial Statements, we have reviewed your statement on pages 18 to 20 concerning the Association’s compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication “Our Regulatory Framework” and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association’s procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 18 to 20 has provided the disclosures required by the relevant Regulatory Standards within the publication “Our Regulatory Framework” and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor
2 Semple street
Edinburgh
EH3 8BL

29/8/2022 | 09:01 BST
Date.....

LINK GROUP LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £'000	2021 £'000
Turnover	2a	99,351	78,523
Operating expenditure	2a	(84,460)	(63,594)
		<hr/>	<hr/>
Operating surplus	2a	14,891	14,929
Gain on revaluation of investment properties		175	70
Gain on sale of non-housing assets		15	9
Interest receivable		25	42
Interest and financing costs	6	(11,051)	(8,951)
Other finance charges		(120)	(163)
Business combination- excess of Fair Value over Book Value	29	32,005	-
		<hr/>	<hr/>
Surplus on ordinary activities before taxation		35,940	5,936
Taxation		<hr/> -	<hr/> -
Surplus for the year		35,940	5,936
Remeasurement of the defined benefit pension liability	28	1,293	(1,879)
Total comprehensive income for the year		<hr/> <u>37,233</u>	<hr/> <u>4,057</u>

The results for the year relate wholly to continuing activities.

The notes on pages 29 to 66 form part of these accounts.

LINK GROUP LIMITED**LINK GROUP LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £'000	2021 £'000
Turnover	2b	72,687	47,250
Operating expenditure	2b	<u>(63,039)</u>	<u>(41,355)</u>
Operating surplus	2b	9,648	5,895
Gain on revaluation of investment properties		175	70
Gain / (Loss) on disposal of non-housing assets		(17)	-
Interest receivable		57	23
Interest and financing costs	6	(10,367)	(8,204)
Other financing charges		(126)	(162)
Business combination- excess of Fair Value over Book Value	29	32,005	-
Gift aid income from partner undertakings		<u>2,199</u>	<u>3,817</u>
Surplus on ordinary activities before taxation		33,574	1,439
Taxation		<u>-</u>	<u>-</u>
Surplus for the year		33,574	1,439
Remeasurement of the defined benefit pension liability	28	411	(567)
Total comprehensive income for the year		<u>33,985</u>	<u>872</u>

The results for the year relate wholly to continuing activities.

The notes on pages 29 to 66 form part of these accounts.

LINK GROUP LIMITED**STATEMENT OF CHANGES IN RESERVES AS AT 31 MARCH 2022****CONSOLIDATED STATEMENT OF CHANGES AND RESERVES**

	Revenue Reserve £'000	Restricted Reserve £'000	2022 Total £'000	2021 Total £'000
As at 1 April 2021	105,550	23	105,573	101,442
Surplus from Statement of Comprehensive Income	35,940	-	35,940	5,987
Transfers to/from restricted reserves	(142)	142	-	-
Remeasurement of the defined benefit pension liability	1,293	-	1,293	(1,879)
As at 31 March 2022	<u>142,641</u>	<u>165</u>	<u>142,806</u>	<u>105,550</u>

LINK GROUP LIMITED STATEMENT OF CHANGES AND RESERVES

	Revenue Reserve £'000	Restricted Reserve £'000	2022 Total £'000	2021 Total £'000
As at 1 April 2021	68,003	10	68,013	67,080
Surplus from Statement of Comprehensive Income	33,574	-	33,574	1,490
Remeasurement of the defined benefit pension liability	411	-	411	(567)
As at 31 March 2022	<u>101,988</u>	<u>10</u>	<u>101,998</u>	<u>68,003</u>

The notes on pages 29 to 66 form part of these accounts.

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Intangible Assets	11a	1,265	991
Housing properties	12a	866,987	717,265
Investment properties	12c	10,575	10,400
Other fixed assets	13a	9,191	8,317
Investments - other	14	-	-
		<u>888,018</u>	<u>736,973</u>
Current assets			
Work in progress	15	9,365	14,255
Stock		1,658	480
Receivables	16	32,974	11,229
Current asset investments		2,038	3,035
Cash and cash equivalents		<u>81,360</u>	<u>31,155</u>
		127,395	60,154
Payables: amounts falling due within one year	17	(47,522)	(41,241)
Net current assets		<u>79,873</u>	<u>18,913</u>
Total assets less current liabilities		967,891	755,886
Payables: amounts falling due after more than one year	18	(410,286)	(249,229)
Deferred income	19	(413,818)	(399,110)
Defined benefit pension liability	28	(232)	(1,974)
Provision for liabilities	30	(750)	-
Net assets		<u>142,805</u>	<u>105,573</u>
Capital and reserves			
Share capital		-	-
Restricted reserves		165	23
Revenue reserves		142,640	105,550
Total reserves		<u>142,805</u>	<u>105,573</u>

Approved and authorised for issue by the Board of Management on 23 August 2022 and signed on its behalf by:-

██████████, Board Member

██████████, Board Member

██████████, Secretary

Date 23 August 2022

The notes on pages 29 to 66 form part of these accounts.

LINK GROUP LIMITED**LINK GROUP LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022**

	Notes	2022 £'000	2021 £'000
Non-current assets			
Intangible fixed assets	11b	1,199	991
Housing properties	12b	777,105	627,222
Investment properties	12c	10,575	10,400
Other fixed assets	13b	7,345	6,537
Investments - other	14	100	100
		<u>796,324</u>	<u>645,250</u>
Current assets			
Work in progress	15	8,038	13,471
Stock		1,422	-
Receivables	16	53,024	16,527
Cash and cash equivalents		<u>49,251</u>	<u>16,557</u>
		111,735	46,555
Payables: amounts falling due within one year	17	(37,611)	(34,435)
Net current assets		<u>74,124</u>	<u>12,120</u>
Total assets less current liabilities		870,448	657,370
Payables: amounts falling due after more than one year	18	(389,826)	(227,987)
Deferred income	19	(377,742)	(360,666)
Defined benefit pension liability	28	(132)	(704)
Provision for liabilities	30	(750)	-
Total net assets		<u>101,998</u>	<u>68,013</u>
Capital and reserves			
Share capital		-	-
Restricted reserves		10	10
Revenue reserves		101,988	68,003
Total reserves		<u>101,998</u>	<u>68,013</u>

Approved and authorised for issue by the Board of Management on 23 August 2022 and signed on its behalf by:-

_____, Board Member

_____, Board Member

_____, Secretary
Date 23 August 2022

DocuSigned by:

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The notes on pages 29 to 66 form part of these accounts.

LINK GROUP LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £'000	2021 £'000
Net cash inflow generated from operating activities	25	52,014	18,588
Investing activities			
Acquisition and construction of properties	12	(174,138)	(102,451)
Purchase of intangible assets	11a	(1,795)	(483)
Purchase of other fixed assets	13a	(2,509)	-
Proceeds on disposal of fixed assets		9,703	811
Grants received	19	26,932	61,313
Grants repaid	19	(527)	(303)
Interest received on cash and cash equivalents		25	42
Net cash outflow from investing activities		(142,309)	(41,071)
Financing activities			
Interest paid on loans	6	(11,051)	(8,951)
New loans		110,000	30,000
New loans from business combinations		49,080	-
Loan principal repayments		(7,529)	(1,472)
Net cash inflow from financing activities		140,500	19,577
Increase/(Decrease) in cash		50,205	(2,906)
Opening cash and cash equivalents		31,155	34,061
Closing cash and cash equivalents		81,360	31,155

The notes on pages 29 to 66 form part of these accounts.

LINK GROUP LIMITED**LINK GROUP LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022**

	Notes	2022 £'000	2021 £'000
Net cash inflow generated from operating activities	25	30,604	23,443
Investing activities			
Acquisition and construction of properties	12	(170,561)	(98,990)
Purchase of intangible assets	11	(1,242)	-
Purchase of other fixed assets	13	(2,420)	(541)
Proceeds on disposal of fixed assets		9,280	799
Grants received	19	25,343	58,582
Grants repaid	19	(527)	(261)
Interest received on cash and cash equivalents		57	23
Net cash outflow from investing activities		(140,070)	(40,388)
Financing activities			
Interest paid on loans	6	(10,367)	(8,204)
New loans		110,000	30,000
New loans from business combinations		49,419	-
Loan principal repayments		(6,892)	(13)
Net cash inflow from financing activities		142,160	21,783
(Decrease)/increase in cash		32,694	4,838
Opening cash and cash equivalents		16,557	11,719
Closing cash and cash equivalents		49,251	16,557

The notes on pages 29 to 66 form part of these accounts.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

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 consolidation**

These financial statements are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard for registered social housing providers in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice 2018 and comply with the Co-operative and Community Benefit Societies Act 2014.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property.

(b) Basis of consolidation

The Group financial statements consolidate those of Link Group Limited and of its partner undertakings drawn up to 31 March 2022 on a line-by-line basis. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

(c) Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2022 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19, the Group has continued to undertake a series of further scenario tests including severe but plausible downsides in the worst-case scenario.

The Board, after reviewing the Group and partner budgets for 2022/23 and the Group's medium term financial position as detailed in the 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and partners have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

During the year, Links Loan portfolio increased by a total of £158.1m. Link Group drew down £80.0m from Scottish Widows and £30m from RBS. Link Group also inherited from Weslo Housing Management Ltd loan balances of £33.1m from Nationwide BS and £15m from Royal Bank of Scotland plc (RBS). The closing cash position at the end of the period was £49.2m.

Standard & Poors undertook their annual credit rating assessment, which was finalised in November 2021, and Link maintained its "A" rating with a stable outlook although it was taken down one notch from last year's A+ rating.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES (continued)

Link is confident that it can secure further long-term finance and if there is a shortage of long-term funding Link will either agree further short to medium term facilities with its lenders or adjust the timing of the development programme accordingly.

Link remains highly liquid with substantial committed funding facilities available to it through its revolving credit facilities with RBS and its “shelf facility” with MetLife. Link also has substantial headroom in its interest cover covenant and gearing ratios at current and forecast levels and has significant unencumbered assets with which to raise further private finance, although Link is not forecasting the need to raise additional finance. Link is also subject to asset cover ratio covenants. Link can add additional unencumbered properties as part of this calculation which significantly reduces the risk of breaching this covenant.

Link is confident that it can secure further long-term finance and if there is a shortage of long-term funding Link will either agree further short to medium term facilities with its lenders or adjust the timing of the development programme accordingly.

The board believe the Group and partners have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and partners will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a 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) Bad and doubtful debts

A 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.

(f) Intangible fixed assets – computer software

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is charged to the Income and Expenditure Account on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. A full year amortisation charge will be applied in the first year of use. The estimated useful lives are as follows: software - 3 years, in line with the length of the Private Sector Leasing contract for which it is used.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****1 ACCOUNTING POLICIES (continued)****(g) Tangible fixed assets and depreciation**

Housing properties are properties for the provision of social housing or otherwise to provide social benefit and are principally properties available for rent. 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.

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
- Structure - over 50 - 60 years
- Smoke Detectors – over 10 years
- Kitchen - over 15 years
- Windows - over 30 years
- Bathrooms - over 25 years
- Rewiring - over 40 years
- Doors - over 30 years
- Boilers - over 12 years
- Pipework - over 24 years

Works to existing properties will generally be capitalised under the following circumstances: -

- Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored, or material reduction in future maintenance costs, or
- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the statement of comprehensive income.

Other fixed assets

- Office Property - Over 50 years
- Improvements to Leased Office Property - Over Lease term
- Office Furniture and Equipment - 10%, 12.5%, or 15% of cost
- Motor Vehicles - 25% of NBV
- Plant and Equipment - 10%, 15%, 20%, 25%, or 33.3% of cost
- Computer Equipment - 10%, 20%, or 33.3% of cost
- Computer Systems - 10%, 20%, or 33.3% of cost

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 other comprehensive income.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES (continued)***Impairment of fixed assets***

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

(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. Rental income from investment properties is accounted for as income from Other Activities 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 FRS 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 24 of Financial Reporting Standard 102 and the SORP 2018. 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 housing properties used as security for them.

(k) Work in progress

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

(l) 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.

(m) 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.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES (continued)**(n) Pensions*****Defined Contribution Scheme***

Link participates in the Scottish Housing Association Pension Scheme (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.

Defined Benefit Scheme

In respect of the SHAPS defined benefit scheme, payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations taken as a whole. In accordance with FRS 102, the Group's share of the scheme assets and liabilities has been separately identified and included in the Group's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The Group's share of the deficit is recognised in full, and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as "actuarial gain/(loss) in respect of defined benefit pension scheme".

The SHAPS provision is valued by an independent actuary, which provides the values to be included in these financial statements. The assumptions used are reviewed by the Board of Management and considered appropriate. Assumptions include estimates of mortality, salary inflation, inflation, and discount rate. There are also judgements in respect of the allocation of assets and liabilities in SHAPS as a multi-employer pension scheme.

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The members of the Board are satisfied that the accounting policies are appropriate and applied consistently.

(o) Value Added Tax

Link has group registration for VAT purposes. A large proportion of Link's income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. For 2021/22, 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.

(p) Lease obligations

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

(q) Link as Lessor – Operating Leases

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease. Rent-free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****1 ACCOUNTING POLICIES (continued)****(r) Cash and equivalents**

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.

(s) Financial instruments

Link has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when Link becomes a party to the contractual provisions of the instrument and are offset only when Link currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets**Receivables**

Receivables which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade receivables are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade receivable constitutes a financing transaction, the receivable is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of receivables is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade receivable over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Income and Expenditure Account.

Financial liabilities**Trade payables**

Trade payables payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade payable constitutes a financing transaction, the payable is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled, or expires.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

1 ACCOUNTING POLICIES (continued)**(t) 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.

(u) 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.

Partner 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 Group.

(v) Acquisition accounting

Link uses the acquisition method of accounting to account for business combinations. Any costs directly attributable to the business combination are included in the cost of acquisition. 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.

(w) Gift aid

Partner 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.

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 year end or a Companies Act s288 written resolution has been approved by the partner shareholders in the year to pay the taxable profit for the year to its parent by a certain payment date.

(x) 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 Statement of Comprehensive Income, 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. Turnover is recognised when it falls due and is accounted for on an accrual basis.

(y) Restricted reserves

Donations 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 2022**

1 ACCOUNTING POLICIES (continued)**(z) Material Estimates and Judgements**

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The members of the Board are satisfied that the accounting policies are appropriate and applied consistently.

Valuation of Investment Property

Link 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 Statement of Comprehensive Income. This results in inherent volatility in the expected results for the year.

Debtors

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

Pension

The SHAPS provision is valued by an independent actuary, which provides the values to be included in these financial statements. The assumptions used are reviewed by the Board of Management and considered appropriate. Assumptions include estimates of mortality, salary inflation, inflation and discount rate. There are also judgements in respect of the allocation of assets and liabilities in SHAPS as a multi-employer pension scheme.

Housing Components and Useful Lives

Key sources of estimation have been applied in apportioning the cost of housing properties between constituent components and in determining the depreciation rates which have been deemed to be appropriate for the class of asset or asset component.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****2a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT)
CONSOLIDATED**

		2022	2022	2022	2021
		Turnover	Operating	Operating	Operating
	Notes	£'000	Costs	Surplus /	Surplus /
			£'000	(Deficit)	(Deficit)
				£'000	£'000
Affordable letting activities	3a	74,200	(60,014)	14,186	15,064
Other activities	4a	25,151	(24,446)	705	(135)
Total 2022		99,351	(84,460)	14,891	14,929
Total 2021		78,523	(63,594)	14,929	-

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

		2022	2022	2022	2021
		Turnover	Operating	Operating	Operating
	Notes	£'000	Costs	Surplus /	Surplus /
			£'000	(Deficit)	(Deficit)
				£'000	£'000
Affordable letting activities	3b	60,789	(49,849)	10,940	8,519
Other activities	4b	11,898	(13,190)	(1,292)	(2,624)
Total 2022		72,687	(63,039)	9,648	5,895
Total 2021		47,250	(41,355)	5,895	-

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****3a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM AFFORDABLE LETTING ACTIVITIES – CONSOLIDATED**

	General Needs housing £'000	Supported housing £'000	Shared ownership £'000	2022 Total £'000	2021 Total £'000
Revenue from rent and service charges					
Rents receivable (net of service charges)	60,482	190	1,208	61,880	45,625
Service charges receivable	1,613	288	21	1,922	1,664
Gross income from rent and service charges	62,095	478	1,229	63,802	47,289
Less: rent losses from voids	(466)	(14)	(4)	(484)	(410)
Net income from rent and service charges	61,629	464	1,225	63,318	46,879
Grants released from deferred income	9,476	83	298	9,857	7,158
Release of Deferred Income	673	-	-	673	1,437
Revenue grants from Scottish Ministers	166	-	-	166	747
Other revenue grants	186	-	-	186	922
Total turnover from affordable letting activities	72,130	547	1,523	74,200	57,143
Expenditure					
Management and maintenance administration costs	(14,973)	(74)	(138)	(15,185)	(10,503)
Service costs	(1,967)	(33)	(9)	(2,009)	(1,952)
Planned and cyclical maintenance & major repair costs	(8,796)	147	-	(8,649)	(5,826)
Reactive maintenance costs	(10,554)	86	-	(10,468)	(7,108)
Bad debts – rents & service charges	(288)	(10)	1	(297)	(215)
Depreciation of affordable let properties	(22,214)	(111)	(431)	(22,756)	(16,284)
Loss on disposal of components	(650)	-	-	(650)	(191)
Operating costs for affordable letting activities	(59,442)	5	(577)	(60,014)	(42,079)
Operating surplus for affordable lettings 2022	12,688	552	946	14,186	15,064
Operating surplus for affordable lettings 2021	14,381	70	613	15,064	

The cost of property components capitalised in the year was £5.1m (2021: £2.3m).

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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	2022 Total £'000	2021 Total £'000
Revenue from rent and service charges					
Rents receivable (net of service charges)	49,762	-	1,085	50,847	35,537
Service charges receivable	-	-	-	-	-
Gross income from rent and service charges	<u>49,762</u>	<u>-</u>	<u>1,085</u>	<u>50,847</u>	<u>35,537</u>
Less: rent losses from voids	(393)	-	(4)	(397)	(323)
Net income from rent and service charges	<u>49,369</u>	<u>-</u>	<u>1,081</u>	<u>50,450</u>	<u>35,215</u>
 Grants released from deferred income	7,407	58	275	7,740	6,287
Revenue grants from Scottish Ministers	465	-	-	465	317
Other revenue grants	(20)	-	-	(20)	157
Other operating income	<u>2,154</u>	<u>-</u>	<u>-</u>	<u>2,154</u>	<u>-</u>
Total turnover from affordable letting activities	<u>59,375</u>	<u>58</u>	<u>1,356</u>	<u>60,789</u>	<u>41,975</u>
 Expenditure					
Management and maintenance administration costs	(15,239)	-	(120)	(15,359)	(8,529)
Service costs	(11)	-	-	(11)	-
Planned and cyclical maintenance & major repair costs	(6,364)	-	-	(6,364)	(4,709)
Reactive maintenance costs	(8,372)	-	-	(8,372)	(6,195)
Bad debts – rents & service charges	(286)	-	-	(286)	(183)
Depreciation of affordable let properties	(18,455)	(70)	(396)	(18,921)	(13,740)
Loss on disposal of components	<u>(536)</u>	<u>-</u>	<u>-</u>	<u>(536)</u>	<u>(100)</u>
Operating costs for affordable letting activities	<u>(49,263)</u>	<u>(70)</u>	<u>(516)</u>	<u>(49,849)</u>	<u>(33,456)</u>
 Operating surplus / (deficit) for affordable lettings 2022	<u>10,112</u>	<u>(12)</u>	<u>840</u>	<u>10,940</u>	<u>8,519</u>
 Operating surplus / (deficit) for affordable lettings 2021	<u>8,212</u>	<u>(22)</u>	<u>329</u>	<u>8,519</u>	

The cost of property components capitalised in the year was £4.4m (2021: £1.6m).

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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 2022 £'000	Other operating costs 2022 £'000	Operating surplus / (deficit) 2022 £'000	Operating surplus / (deficit) 2021 £'000
Wider role activities	-	71	-	136	207	(2,158)	(1,951)	(2,074)
Care and repair of property	-	-	-	(126)	(126)	82	(44)	-
Factoring	-	1	-	680	681	(1,169)	(488)	(312)
Development and construction of property activities	57	49	-	2	108	(656)	(548)	(911)
Contracted out services undertaken for RSLs	-	8	-	82	90	(718)	(628)	24
Contracted out services undertaken for other organisations	-	-	-	5,058	5,058	(3,956)	1,102	618
Cycling Scotland Social Housing Fund	-	-	-	-	-	-	-	(51)
Developments and improvements for sale to non-RSLs	-	-	-	7,348	7,348	(7,496)	(148)	(169)
Gain on revaluation of investment properties	-	-	-	-	-	-	-	70
Business & other development costs	-	-	-	1	1	(433)	(432)	(456)
Publicity and Promotion	-	-	-	-	-	(211)	(211)	(358)
Shared Equity Sales Administration	-	-	-	2,804	2,804	(1,096)	1,708	2,745
Investment property activities	-	-	-	824	824	(29)	795	793
Gain on sale of properties	-	-	-	2,524	2,524	(1,195)	1,329	352
Other activities	99	66	-	386	551	(546)	5	326
Support activities	2	1,274	80	3,725	5,081	(4,865)	216	(732)
Total from other activities 2022	158	1,469	80	23,444	25,151	(24,446)	705	(135)
Total from other activities 2021	137	1,167	80	19,996	21,380	(21,515)	(135)	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

4b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) FROM OTHER ACTIVITIES – LINK GROUP LIMITED

	2022	2022	2022	2022	2022	2022	2022	2021
	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Other Operating Costs £'000	Operating Surplus / (Deficit) £'000	Operating Surplus / (Deficit) £'000
Wider role activities	-	-	-	448	448	(2,563)	(2,115)	(1,508)
Care and repair activities	-	-	-	-	-	-	-	(605)
Factoring	-	-	-	38	38	(447)	(409)	(175)
Development and construction of property activities	57	49	-	120	226	(732)	(506)	(498)
Contracted out services undertaken for other RSLs	-	-	-	157	157	(133)	24	12
Contracted out services undertaken for other organisations	-	-	-	548	548	(310)	238	(227)
Development and improvements for sale to non-RSLs	-	-	-	6,902	6,902	(7,057)	(155)	(133)
Gain on revaluation of investment properties	-	-	-	-	-	-	-	70
Business and other development activities	-	-	-	82	82	(486)	(404)	(388)
Publicity and promotions	-	-	-	34	34	(233)	(199)	(158)
Shared equity sales administration	-	-	-	37	37	(195)	(158)	(173)
Investment property activities	-	-	-	800	800	(3)	797	725
Gain on sale of properties	-	-	-	2,604	2,604	(1,293)	1,312	471
Other activities	-	-	-	22	22	(29)	(7)	14
Support activities	-	-	-	0	-	291	291	-
Cycle Scotland Social Enterprise Fund	-	-	-	-	-	-	-	(51)
Total from other activities 2022	57	49	-	11,792	11,898	(13,190)	(1,292)	(2,624)
Total from other activities 2021	68	-	-	5,207	5,275	(7,899)	(2,624)	-

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

The costs included in Contracted out services undertaken for other organisations refers to the management fee paid to Link Housing Association Limited for the management of properties owned by Link Group Limited. The other income included relates to management fees received from partner undertakings.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****5. GAIN ON DISPOSAL OF NON-CURRENT ASSETS – HOUSING PROPERTIES**

In the year to 31 March 2022 the consolidated Statement of Comprehensive Income included a gain on disposal of housing properties of £1,328,724 (2021: £422,594).

Link Group Limited achieved a gain on disposal of housing properties of £1,312,000 compared to a gain in 2021 of £470,364. During the year, Link Group Limited continued to sell properties under 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	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Statement of comprehensive income – Loan interest	10,726	8,944	10,211	8,199
Net interest on Net Defined Benefit Obligation	36	7	13	5
Statement of comprehensive income – bank charges	289	-	143	-
	<u>11,051</u>	<u>8,951</u>	<u>10,367</u>	<u>8,204</u>

7. KEY MANAGEMENT PERSONNEL AND BOARD MEMBERS' EMOLUMENTS

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 over £60,000, and the Directors of the Board of Link Group less than £60,000, including the Chief Executive were as follows;

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Emoluments (excluding pension contributions)	1,173	1,316	948	850
Pension contributions	99	116	81	78
Total Emoluments	<u>1,272</u>	<u>1,432</u>	<u>1,029</u>	<u>928</u>

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****7. KEY MANAGEMENT PERSONNEL AND BOARD MEMBERS' EMOLUMENTS (continued)**

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

Emoluments (including pension contributions)	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
£60,000 - £69,999	-	4	-	-
£70,000 - £79,999	2	3	-	-
£80,000 - £89,999	1	1	-	1
£90,000 - £99,999	1	2	1	2
£100,000 - £109,999	1	2	1	2
£110,000 - £119,999	3	-	3	-
£120,000 - £129,999	-	-	-	-
£130,000 - £139,999	1	2	1	2
£140,000 - £149,999	1	-	1	-
£150,000 - £159,999	-	1	-	1
£160,000 - £169,999	1	-	1	-
	<u>11</u>	<u>15</u>	<u>8</u>	<u>8</u>

The emoluments, excluding pension contributions, of the highest paid Director, who is the Group Chief Executive are £149,425 (2021: £144,799). The Group Chief Executive is an ordinary member of the pension scheme, no enhanced or special terms apply and has no other pension arrangements with Link. The pension contribution by Link in respect of the Chief Executive amounted to £12,268 (2021: £11,908).

The total emoluments of the Chief Executive for the year were £161,693 (2021: £156,707).

Emoluments were paid to the following Board members:

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Chair Link Group	16	17	16	17
Chair Audit and Risk Committee	5	6	5	6
Vice Chair (Communities)	5	6	5	6
Vice Chair (Corporate)	5	5	5	5
	<u>31</u>	<u>34</u>	<u>31</u>	<u>34</u>

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

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Board of Management	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****8. EMPLOYEES**

	Consolidated		Link Group Limited	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Staff costs during the year were as follows:				
Wages and salaries	26,702	21,578	7,031	5,467
Social security costs	2,650	2,021	736	552
Contributions to defined contribution plans	<u>1,800</u>	<u>1,547</u>	<u>506</u>	<u>445</u>
	<u>31,152</u>	<u>25,146</u>	<u>8,273</u>	<u>6,464</u>

	Consolidated		Link Group Limited	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Agency staff costs	<u>386</u>	<u>305</u>	<u>148</u>	<u>21</u>

1 Director (2021: nil) received travel expenses of £400 (2021: £nil) for Link Group Limited and 1 Director (2021: nil) received travel expenses of £2,019 (2021: £nil) for consolidation.

	Consolidated		Link Group Limited	
	2022	2021	2022	2021
	No.	No.	No.	No.
Average number of employees during the year	<u>848</u>	<u>721</u>	<u>162</u>	<u>125</u>
Average full-time equivalent of employees during the year	<u>782</u>	<u>674</u>	<u>155</u>	<u>119</u>

9. AUDITOR'S REMUNERATION

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Audit of these financial statements	54	65	54	65
Audit of financial statements of subsidiaries	68	64	-	-
Taxation compliance services	<u>23</u>	<u>23</u>	<u>14</u>	<u>5</u>
	<u>145</u>	<u>152</u>	<u>68</u>	<u>70</u>

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****10. HOUSING STOCK**

	2022 Units in Management No.	2021 Units in Management No.	2022 Units under Development No.	2021 Units under Development No.
Housing accommodation for letting	11,308	7,633	1,054	1,598
Shared bedspaces	641	641	-	-
Shared ownership accommodation	405	410	-	-
Total Units	12,354	8,684	1,054	1,598

Included in the above are - 2,500 Units relating to Weslo Housing Management transfer of engagement, 1 unit currently out of management (2021: 1 unit) and (12,354 units (2021: 8,684 units) leased to and managed by other parties. Excluded are - non-housing units 292 (2021: 282).

Also included are the following units managed by other members of the Group on behalf of the association:

	2022 No.	2021 No.
Managed by Larkfield Housing Association Ltd	386	382
Managed by Horizon Housing Association Ltd	883	870
Managed by Link Housing Association Ltd	12,354	8,684
	13,623	9,936

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****11a. INTANGIBLE ASSETS – CONSOLIDATED**

	Software in development £'000	Software in use £'000	Total £'000
Cost			
As at 1 April 2021	527	1,298	1,825
Additions in year	89	579	668
Additions due to Business Combinations	<u>0</u>	<u>1,127</u>	<u>1,127</u>
As at 31 March 2022	<u>616</u>	<u>3,004</u>	<u>3,620</u>
Amortisation			
As at 1 April 2021	-	834	834
Amortised in year	-	465	465
Additions due to Business Combinations		<u>1,056</u>	<u>1,056</u>
As at 31 March 2022	<u>0</u>	<u>2,355</u>	<u>2,355</u>
Net book value			
As at 31 March 2022	<u>616</u>	<u>649</u>	<u>1,265</u>
As at 31 March 2021	<u>527</u>	<u>464</u>	<u>991</u>

11b. INTANGIBLE ASSETS – LINK GROUP LTD

	Software in development £'000	Software in use £'000	Total £'000
Cost			
As at 1 April 2021	527	1,100	1,627
Additions in year	<u>89</u>	<u>1,153</u>	<u>1,242</u>
As at 31 March 2022	<u>616</u>	<u>2,253</u>	<u>2,869</u>
Depreciation			
As at 1 April 2021	-	636	636
Charge in year	<u>-</u>	<u>1,034</u>	<u>1,034</u>
As at 31 March 2022	<u>-</u>	<u>1 670</u>	<u>1 670</u>
Net book value			
As at 31 March 2022	<u>616</u>	<u>583</u>	<u>1,199</u>
As at 31 March 2021	<u>527</u>	<u>464</u>	<u>991</u>

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****12a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – CONSOLIDATED**

	Housing properties held for lettings £'000	Shared ownership housing properties £'000	Housing properties in course of construction £'000	Total £'000
Cost				
As at 1 April 2021	691,629	21,681	199,836	913,146
Additions in year	28,462	178	64,191	92,831
Acquired through business combinations (note 29)	81,329	-	188	81,517
Disposals in year	(3,096)	(593)	(399)	(4,088)
Transfers in year	158,817	(51)	(158,766)	-
As at 31 March 2022	<u>957,141</u>	<u>21,215</u>	<u>105,050</u>	<u>1,083,406</u>
Depreciation				
As at 1 April 2021	188,513	7,368	-	195,881
Charge in year	22,324	431	-	22,755
Eliminated on disposals in year	(2,105)	(112)	-	(2,217)
Transfers in year	14	(14)	-	-
As at 31 March 2022	<u>208,746</u>	<u>7,673</u>	<u>-</u>	<u>216,419</u>
Net book value				
As at 31 March 2022	<u>748,395</u>	<u>13,542</u>	<u>105,050</u>	<u>866,987</u>
As at 31 March 2021	<u>503,116</u>	<u>14,313</u>	<u>199,836</u>	<u>717,265</u>

Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2021: nil). Total works expenditure on housing properties amounted to £20.3m (2021: £6.3m) of which £5.1m (2021: £2.3m) was capitalised and £15.1m (2021: £4.0m) was expensed. Of the £5.1m (2021: £2.3m) works capitalised, £3.8m (2021: £2.3m) were component replacements and £0.7m (2021: £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. The historical value of land included in the net book value at 31 March 2022 was £72.9m (2021: £43.2m).

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****12b. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – LINK GROUP LIMITED**

	Housing properties held for lettings £'000	Shared ownership housing properties £'000	Housing properties in course of construction £'000	Total £'000
Cost				
As at 1 April 2021	575,630	19,701	198,679	794,010
Additions in year	26,017	178	62,849	89,044
Acquired through business combinations (note 29)	81,329	-	188	81,517
Disposals in year	(2,602)	(593)	(399)	(3,594)
Transfers in year	158,659	(51)	(158,608)	-
As at 31 March 2022	<u>839,033</u>	<u>19,235</u>	<u>102,709</u>	<u>960,977</u>
Depreciation				
As at 1 April 2021	159,678	7,110	-	166,788
Charge in year	18,525	396	-	18,921
Eliminated on disposals in year	(1,725)	(112)	-	(1,837)
Transfers in year	14	(14)	-	-
As at 31 March 2022	<u>176,492</u>	<u>7,380</u>	<u>-</u>	<u>183,872</u>
Net book value				
As at 31 March 2022	<u>662,541</u>	<u>11,855</u>	<u>102,709</u>	<u>777,105</u>
As at 31 March 2021	<u>415,952</u>	<u>12,591</u>	<u>198,679</u>	<u>627,222</u>

Development administration costs capitalised amounted to £4.4m (2021: £1.0m). Total works expenditure on housing properties amounted to £15.8m (2021: £5.5m) of which £4.5m was capitalised (2021: £1.6m) and £11.4m (2021: £3.8m) was expensed. Of the works capitalised, £3.8m (2021: £1.6m) were component replacements and £0.7m (2021: £nil) were improvements. Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2021: £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. The historical value of land included in the net book value at 31 March 2022 was £72.9m (2021: £47.6m).

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****12c. TANGIBLE FIXED ASSETS – INVESTMENT PROPERTIES**

Investment property – Link Group Limited and Consolidated	2022 £'000	2021 £'000
Balance at 1 April	10,400	10,330
Unrealised gain on revaluation	<u>175</u>	<u>70</u>
Balance at 31 March	<u>10,575</u>	<u>10,400</u>
Historic cost of investment properties	6,564	6,564
Accumulated depreciation	<u>(3,823)</u>	<u>(3,693)</u>
Historic cost net book value	<u>2,741</u>	<u>2,871</u>

Link Group Limited is responsible for repairs and maintenance of the 84 properties which are leased to a university for student accommodation. The valuation was carried out by an independent valuer, Jones Lang LaSalle, a financial and professional services firm specialising in real estate services and investment management.

The valuations were completed as at 31 March 2022 and were prepared on the basis of market value. The investment method of valuation to derive the market value of the properties was used. No allowance was made for any expenses of realisation, or for taxation (including VAT) which might arise in the event of a disposal and the properties were considered free and clear of all mortgages or other charges which may be secured thereon.

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

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****13a. TANGIBLE NON-CURRENT ASSETS - OTHER NON CURRENT ASSETS - CONSOLIDATED**

	Heritable Office Property £'000	Plant & Equipment £'000	Vehicles £'000	Total £'000
Cost				
As at 1 April 2021	10,125	2,274	221	12,620
Additions in year	997	-	405	1,402
Acquired through Business Combinations	715	369	23	1,107
Disposals in year	-	-	(149)	(149)
As at 31 March 2022	<u>11,837</u>	<u>2,643</u>	<u>500</u>	<u>14,980</u>
Depreciation				
As at 1 April 2021	2,838	1,248	217	4,303
Charge in year	833	404	344	1,581
Eliminated on disposals in year	-	-	(95)	(95)
As at 31 March 2022	<u>3,671</u>	<u>1,652</u>	<u>466</u>	<u>5,789</u>
Net book value				
As at 31 March 2022	<u>8,166</u>	<u>991</u>	<u>34</u>	<u>9,191</u>
As at 31 March 2021	<u>7,287</u>	<u>1,026</u>	<u>4</u>	<u>8,317</u>

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

	Heritable Office Property £'000	Plant & Equipment £'000	Vehicles £'000	Total £'000
Cost				
As at 1 April 2021	8,597	1,081	18	9,696
Additions in year	968	0	0	968
Acquired through Business Combinations	715	369	23	1,107
Disposals in year	-	-	(20)	(20)
As at 31 March 2022	<u>10,280</u>	<u>1,450</u>	<u>21</u>	<u>11,751</u>
Depreciation				
As at 1 April 2021	2,358	783	18	3,159
Charge in year	895	352	0	1,247
As at 31 March 2022	<u>3,253</u>	<u>1,135</u>	<u>18</u>	<u>4,406</u>
Net book value				
As at 31 March 2022	<u>7,027</u>	<u>315</u>	<u>3</u>	<u>7,345</u>
As at 31 March 2021	<u>6,239</u>	<u>298</u>	<u>-</u>	<u>6,537</u>

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****14. INVESTMENTS****Partner Undertakings**

Organisation	Legal Nature	Authorised Share Capital	Issued Share Capital	Principal Activity
Link Housing Association Limited	Private Limited Company	100 £1 shares	£1	Management of social rented housing stock
Linkwide Limited	Charitable Company	Limited by Guarantee	N/A	Development of Community Regeneration initiatives
LinkLiving Limited	Charitable Company	Limited by Guarantee	N/A	Providing care and support to Link tenants and others
C~URB 6	Private Limited Company	50,000 £1 shares	£50,000	Provision of maintenance services
Link Homes (2001) Limited	Private Limited Company	50,000 £1 shares	£50,000	Administration of Shared Equity schemes
Link Energy Limited	Private Limited Company	100 £1 shares	£1	General commercial activities relating to renewable energy projects
Larkfield Housing Association	Charity, registered as a society under the Co-operative and Community Benefit Societies Act 2014	N/A	N/A	A Registered Social Landlord, management of social rented housing stock.
Horizon Housing Association Limited	Charity, registered as a society under the Co-operative and Community Benefit Societies Act 2014	N/A	N/A	A Registered Social Landlord, management of social rented housing stock
West Highland Housing Association Limited	Charity, registered as a society under the Co-operative and Community Benefit Societies Act 2014	N/A	N/A	A Registered Social Landlord, management of social rented housing stock
Weslo Initiatives Limited	Private Limited Company	5 £1 Shares	£5	Management of market and mid-market rented properties for Weslo Housing Management and third-party landlords

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****14. INVESTMENTS (continued)**

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.

At 31 March 2022, West Highland Housing Association Limited held 100% share capital of the following partner undertakings:

Organisation	Legal Nature	Authorised Share Capital	Issued Share Capital	Principal Activity
West Highland Futures Limited	Private Limited Company	1 £1 shares	£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 partner undertakings have been consolidated in the Group financial statements.

	2022 £'000	2021 £'000
Cost		
Shares in Group undertakings	100	100

15. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
As at 1 April 2021	14,735	11,157	13,471	10,373
Expenditure on development properties	9,963	5,003	9,560	4,523
Cost of sales transferred to expenditure	(13,911)	(759)	(13,571)	(759)
Transfers to stock	(1,422)	(1,146)	(1,422)	(666)
As at 31 March 2022	<u>9,365</u>	<u>14,255</u>	<u>8,038</u>	<u>13,471</u>

The number of sales of shared equity properties was 71 (2021:228).

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****16. RECEIVABLES**

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Arrears of rent and service charges	2,792	1,517	1,750	1,121
Less: Payment plan adjustment	(71)	(76)	(52)	(60)
Less: Provision for bad and doubtful debts	(996)	(1,340)	(427)	(295)
Net rental debtors	1,725	101	1,271	766
Trade receivables	6,290	4,060	2,104	147
Social housing grant receivable	807	5,006	148	4,254
Other receivables	21,407	-	20,667	-
Prepayments and accrued income	2,745	2,062	2,437	1,676
Amounts due from group undertakings	-	-	26,397	9,684
	<u>32,974</u>	<u>11,229</u>	<u>53,024</u>	<u>16,527</u>

The amount due from subsidiaries includes rental income collected by partner companies on behalf of Link Group Limited and not received by Link Group until after the year end; charges levied by Link Group for services provided which were invoiced to the subsidiaries and paid after the year end; an intercompany loan of £2.5m which is repayable in more than one year. Other receivables contain £20m held in a collateral account in relation to Scottish Widows loan facility.

17. PAYABLES - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Housing loans	1,112	1,098	-	-
Shared equity grant payables	4,662	9,518	3,157	7,236
Trade payables	6,902	14,473	6,082	11,517
Rent and service charges in advance	2,293	1,544	1,863	1,274
Pension contributions payable	309	213	272	186
Taxation and social security	1,211	816	1,129	767
Other payables	10,570	7,775	7,655	7,472
Accruals and deferred income	20,463	5,804	15,147	3,081
Amounts owed to group undertakings	-	-	2,306	2,902
	<u>47,522</u>	<u>41,241</u>	<u>37,611</u>	<u>34,435</u>

Included in trade and other creditors is an amount of £0.83m (2021: £0.78m), 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 Group 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 2022

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

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Housing loans	406,269	249,229	386,108	227,987
Other payables	<u>4,017</u>	<u>-</u>	<u>3,718</u>	<u>-</u>
	<u>410,286</u>	<u>249,229</u>	<u>389,826</u>	<u>227,987</u>
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Housing loans - analysis of loan facilities				
Fixed rate:				
Advanced by banks	71,828	57,028	66,000	51,000
Advanced by building societies	38,808	5,750	33,108	-
Advanced by private lenders	229,857	151,018	230,000	149,987
Variable rate:				
Advanced by banks	61,221	31,478	57,000	27,000
Advanced by building societies	<u>4,555</u>	<u>5,053</u>	<u>-</u>	<u>-</u>
	<u>406,269</u>	<u>250,327</u>	<u>386,108</u>	<u>227,987</u>

The Group has loan facilities of £459m (2021: £300m), of which £406m had been drawn down as at 31 March 2022 (2021: £250m). The loan facilities are secured over a number of Link's housing properties. The repayment terms vary between 3 and 30 years.

Interest on the loans was charged at interest rates between 1.15% and 5.93% (2021: between 1.23% and 5.93%).

	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Analysis of maturity of debt				
Amounts repayable:				
In one year or less, or on demand	-	1,098	-	-
Between one and two years	16,082	1,102	15,000	-
Between two and five years	<u>3,334</u>	<u>18,262</u>	<u>-</u>	<u>15,000</u>
	19,416	20,462	15,000	15,000
In five years or more	386,853	229,865	371,108	212,987
	<u>406,269</u>	<u>250,327</u>	<u>386,108</u>	<u>227,987</u>

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****19. DEFERRED INCOME**

	Consolidation		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Social Housing Grants				
At 1 April 2021	397,216	355,016	360,666	320,354
Additions in year	26,120	49,621	25,343	46,860
Released/repaid as a result of property disposals	(527)	(303)	(527)	(261)
Amortised in year	<u>(8,991)</u>	<u>(7,118)</u>	<u>(7,740)</u>	<u>(6,287)</u>
At 31 March 2022	<u>413,818</u>	<u>397,216</u>	<u>377,742</u>	<u>360,666</u>
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Other grants				
At 1 April 2021	1,894	1,865	-	-
Additions in year	812	69	-	-
Amortised in year	<u>(53)</u>	<u>(40)</u>	<u>-</u>	<u>-</u>
At 31 March 2022	<u>2,653</u>	<u>1,894</u>	<u>-</u>	<u>-</u>

20. SHARE CAPITAL

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	No.	No.	No.	No.
Shares of £1 each fully paid and issued				
As at 1 April	413	409	153	150
Shares issued during the year	11	15	-	9
Shares surrendered during the year	(8)	(11)	-	(6)
At 31 March	<u>416</u>	<u>413</u>	<u>153</u>	<u>153</u>

21. CAPITAL COMMITMENTS

At 31 March 2022 authorised and contracted commitments outstanding amounted to approximately £272m for Link Group Limited (2021: £371m) and £276m for the Group (2021: £373m).

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****22. CONTINGENT LIABILITIES****Pension**

Link has been notified by the Trustee of the Scottish Housing Association Pension Scheme (SHAPS) that it has performed a review of the changes made to the Scheme's benefits over recent years. The Trustee has been advised to seek clarification from the Court on potential changes to the pension liability. This process is ongoing, and the Association understands that the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until the outcome of the Court process is known, it is not possible to calculate the impact on the liabilities of this issue, particularly on an individual employer basis, with any accuracy for the purposes of the 31 March 2022 financial statements. Accordingly, no adjustment has been made in these financial statements in respect of this potential issue.

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, Link has entered 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.

23. RELATED PARTIES

During the year, one tenant had served as a Board Member (2021: one). These tenancies were on normal commercial terms and neither of the tenants could use their position to their advantage.

Transactions with governing body members were as follows:

	2022	2021
	£'000	£'000
Rent and factoring income received from tenants and owners on the Board	4	4
Tenants and owner Committee member arrears (in credit) as at 31 March	-	-

During the year, for their services to Link Group, five Board Members (2021, four) received emoluments of £35,304 (2021: £34,000).

Link Group Limited is exempt from the requirements under FRS 102 (Section 33.1A) to disclose details of transactions with other members of the Group headed by Link Group Limited.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****24. OBLIGATIONS UNDER LEASES****Operating Leases as a Lessee**

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

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Within one year	8	201	-	-
In two to five years	-	72	-	-
In over five years	590	-	36	5
Increase/(decrease) in cash in year	36	-	-	-
	<u>634</u>	<u>273</u>	<u>36</u>	<u>5</u>

The total consolidated lease payments recognised as an expense was £42,594 (2021: £46,000) and for Link Group was £38,704 (2021: £5,000).

24. OBLIGATIONS UNDER LEASES (continued)**Operating Leases as a Lessor**

Link Group Limited owns and is responsible for repairs and maintenance of the 84 properties which are leased to a university for student accommodation. Future minimum rentals receivable under these leases are as follows:

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Within one year	924	900	881	881
Within one to two years	581	544	581	544
In two to five years	1,295	1,295	1,295	1,295
In over five years	1,727	2,301	1,727	2,301
	<u>4,527</u>	<u>5,040</u>	<u>4,484</u>	<u>5,021</u>

The total rental income received by Link Group Ltd in the year was £0.88m (2021: £0.80m).

The lease agreement for one of the accommodation units expires in 2023, and for the second in 2031.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****25. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES CASHFLOW ANALYSIS**

	Consolidated		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Surplus for the year	35,940	5,936	33,574	1,439
Depreciation of tangible fixed assets	22,158	16,465	20,522	14,143
Amortisation of intangible fixed assets	1,069	52	1,034	52
(Increase)/Decrease in stock	5,370	(3,578)	5,433	(3,098)
Decrease/(Increase) in receivables	(18,941)	355	(36,497)	2,384
Increase/(Decrease) in payables	6,283	(2,220)	5,384	7,097
Carrying amount of tangible fixed asset disposals	9,283	613	8,845	562
Proceeds from the sale of fixed assets	(9,703)	(811)	(9,280)	(799)
Government grants utilised in the year	(9,857)	(7,158)	(8,267)	(6,287)
Interest payable	11,098	8,951	10,367	8,204
Interest received	(62)	(42)	(57)	(23)
Pension cost less contributions payable	(449)	95	(279)	(161)
Unrealised gain on revaluation of investment properties	(175)	(70)	(175)	(70)
	<u>52,014</u>	<u>18,588</u>	<u>30,604</u>	<u>23,443</u>

26. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN DEBT

	Consolidation		Link Group Ltd	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Increase/(decrease) in cash in year	47,150	(2,906)	32,694	4,838
Loan repaid	(434)	1,472	-	13
Cash received from new loans	<u>(154,988)</u>	<u>(30,000)</u>	<u>(158,121)</u>	<u>(30,000)</u>
Changes in net debt	<u>(108,272)</u>	<u>(31,434)</u>	<u>(125,427)</u>	<u>(25,149)</u>

27. ANALYSIS OF CHANGES IN FINANCING DURING THE CURRENT YEAR

	Consolidated			Link Group Ltd		
	As at 1 April 2021	Cash Flows £'000s	As at 31 March 2022	As at 1 April 2021	Cash Flows £'000s	As at 31 March 2022
Cash at bank and in hand	31,155	47,160	78,315	16,557	32,684	49,252
Term deposits	3,035	2,038	5,073	-	-	-
Debt due within one year	(1,098)	(469)	(1,567)	-	-	-
Debt due after one year	(249,229)	(156,584)	(405,813)	227,987	(158,121)	(386,108)
Total	<u>(216,137)</u>	<u>(107,855)</u>	<u>(323,992)</u>	<u>244,544</u>	<u>(125,437)</u>	<u>(336,856)</u>

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

28. PENSIONS**28a. Defined Contribution Scheme**

Link Group Limited offers all staff membership to the Link Group Defined Contribution scheme, with employer contribution rates of up to 9%. The assets of the scheme are administered by trustees in a fund independent of the Link Group. The staff of Horizon Housing Association Limited, Larkfield Housing Association Limited and West Highland Housing Association Limited are offered membership of the SHAPS Defined Contribution scheme, with employer contribution rates of 6%, 9% or 12% of pensionable salaries for employees who joined the scheme before 1 December 2013, and of 5%, 6%, 8% or 9% of pensionable salaries for employees who joined the scheme after 1 December 2013.

As at the balance sheet date, there were 755 members of staff who were members of the Link Group personal pension scheme (2021: 617), of whom 147 are employed by Link Group Limited (2021: 112), and there were 67 members of staff who were members of the SHAPS Defined Contribution Scheme (2021: 58). The total employer contributions for the year ended 31 March 2022 amounted to £1.6m (2021: £1.5m), of which £0.50m was made in relation to Link Group Limited staff (2021: £0.45m).

28b. Defined Benefit Scheme

Link Group Limited participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore, 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.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2021. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2022 to 28 February 2023 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

Scheme's total assets to calculate the company's net deficit or surplus.

The liabilities are

Discount Rate	2.75%	2.05%
Salary Increases		
Year 1	4.75%	-
Year 2+	2.00%	2.00%
Inflation (RPI)	3.85%	3.50%
Inflation (CPI)	3.25%	2.80%

Allowance for cash commutation 75% of maximum allowance 75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

Life Expectancy at the age of 65 (Years)

Male retiring in 2021	21.6
Female retiring in 2021	23.9
Male retiring in 2041	22.9
Female retiring in 2041	25.4

CONSOLIDATED

	2022	2021
Amounts Recognised in Statement of Financial Position	£'000	£'000
Fair value of scheme assets	17,819	17,141
Present value of benefit obligation	(17,978)	(19,115)
Surplus / (deficit) in plan	(160)	(1,974)
Unrecognised surplus	(73)	-
Net defined benefit asset (liability) to be recognised	(232)	(1,974)

Reconciliation of the impact of the asset ceiling	2022	2021
	£'000	£'000
Impact of asset ceiling at start of period	-	-
Actuarial losses / (gains) on asset ceiling	73	-
Impact of asset ceiling at end of period	73	-

Amounts Recognised in Statement of Comprehensive Income	2022	2021
	£'000	£'000
Current service costs	20	23
Administration costs	16	16
Net interest on net defined benefit obligation	36	8
Total pension cost recognised in Statement of Comprehensive Income	72	47

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

	2022	2021
	£'000	£'000
Changes in Defined Benefit Obligation		
Opening Defined Benefit Obligation	19,115	16,204
Employer Service Cost	20	23
Interest Expense	389	384
Employer Expenses	16	16
Member Contributions	14	14
Actuarial (gains)/loss due to scheme experience	277	2,890
Actuarial (gains)/loss due to changes in demographic assumptions	59	-
Actuarial (gains)/loss due to changes in financial assumptions	(1,573)	-
Benefits Paid and Expenses	(338)	(416)
Closing Defined Benefit Obligation	<u>17,979</u>	<u>19,115</u>
Changes in Fair Value of Scheme Assets		
Opening Fair Value of Scheme Assets	17,141	15,670
Actual Return on Scheme Assets less Interest Income – gain/(loss)	129	988
Interest income	353	377
Employer Contributions	520	508
Member Contributions	14	14
Benefits Paid and Expenses	(338)	(416)
Closing Fair Value of Scheme Assets	<u>17,819</u>	<u>17,141</u>
Other Comprehensive Income		
Experience on plan assets (excluding amounts included in net interest cost) – gain/ (loss)	129	988
Experience gains and losses arising on the plan liabilities – gain/(loss)	1573	396
Actuarial gains/(losses)	(59)	(3,286)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain/(loss)	(277)	23
Actuarial gains and losses recognised in other comprehensive income	1,366	(1,879)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	(73)	-
	<u>1,293</u>	<u>(1,879)</u>

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

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

	2022	2021
	£'000	£'000
Global Equity	3,524	2,651
Absolute Return	816	845
Distressed Opportunity	638	586
Credit Relative Value	571	494
Alternative Risk Premia	736	688
Emerging Market Debt	664	691
Risk Sharing	581	612
Insurance-Linked Securities	373	358
Property	462	307
Infrastructure	1,113	957
Private Debt	449	404
Opportunistic Illiquid Credit	591	439
High Yield	173	449
Opportunistic Credit	62	469
Cash	49	6
Corporate Bond Fund	1,126	1,292
Liquid Credit	113	295
Long Lease Property	513	398
Secured Income	952	941
Over 15 Year Gilts	8	8
Liability Driven Investment	4,313	4,121
Currency Hedging	(65)	-
Net Current Assets	<u>57</u>	<u>128</u>
Total assets	17,819	17,139

LINK GROUP LIMITED**Amounts Recognised in Statement of Financial Position**

	2022	2021
	£'000	£'000
Fair value of scheme assets	6,311	6,025
Present value of benefit obligation	<u>(6,443)</u>	<u>(6,729)</u>
Net pension liability	<u>(132)</u>	<u>(704)</u>

Amounts Recognised in Statement of Comprehensive Income

	2022	2021
	£'000	£'000
Current service costs	20	23
Administration costs	6	6
Net interest on net defined benefit obligation	13	5
Total pension cost recognised in Statement of Comprehensive Income	<u>39</u>	<u>34</u>

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022**

	2022	2021
	£'000	£'000
Changes in Defined Benefit Obligation		
Opening Defined Benefit Obligation	6,729	5,779
Employer Current Service Cost	20	23
Employer Expenses	6	6
Interest Expense	137	137
Member Contributions	14	14
Actuarial (gains)/loss due to scheme experience	138	(107)
Actuarial (gains)/loss due to changes in demographic assumptions	22	1,028
Actuarial (gains)/loss due to changes in financial assumptions	(480)	-
Benefits Paid and Expenses	<u>(143)</u>	<u>(151)</u>
Closing Defined Benefit Obligation	<u>6,443</u>	<u>6,729</u>

	2022	2021
	£'000	£'000
Changes in Fair Value of Scheme Assets		
Opening Fair Value of Scheme Assets	6,025	5,481
Actual Return on Scheme Assets less Interest Income – gain/(loss)	91	354
Interest income	124	132
Employer Contributions	200	195
Member Contributions	14	14
Benefits Paid and Expenses	<u>(143)</u>	<u>(151)</u>
Closing Fair Value of Scheme Assets	<u>6,311</u>	<u>6,025</u>

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2021 to 31 March 2022 was £0.75m .

	2022	2021
	£'000	£'000
Amounts Recognised in Other Comprehensive Income		
Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss)	91	354
Experience gains and losses arising on the plan liabilities – gain/(loss)	480	107
Actuarial gains/(losses) due to changes in demographic assumptions	(22)	-
Actuarial gains/(losses)	<u>(138)</u>	<u>(1,028)</u>
Actuarial gains and losses recognised in other comprehensive income	<u>411</u>	<u>(567)</u>

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****The major categories of Scheme Assets as a total of plan assets are as follows**

	2022	2021
	£'000	£'000
Global Equity	1,248	932
Absolute Return	289	297
Distressed Opportunity	226	206
Credit Relative Value	202	174
Alternative Risk Premia	261	242
Fund of Hedge Funds	-	-
Emerging Market Debt	235	243
Risk Sharing	206	215
Insurance-Linked Securities	132	126
Property	164	108
Infrastructure	394	336
Private Debt	159	142
Opportunistic Illiquid Credit	209	154
High Yield	61	158
Opportunistic Credit	22	165
Cash	18	2
Corporate Bond Fund	399	454
Liquid Credit	40	104
Long Lease Property	182	140
Secured Income	337	331
Over 15 Year Gilts	3	3
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,527	1,448
Currency Hedging	(23)	-
Net Current Assets	20	45
Total assets	6,311	6,025

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022****29. Business Combinations**

On 1 June 2021, Link Group acquired the assets and liabilities of Weslo Housing Management Limited under a transfer of engagements for £nil consideration.

At 1 June 2021 (the 'acquisition date'), the assets and liabilities of Weslo Housing Management Limited were consolidated to their fair value, outlined below. The properties were valued on the basis of existing use value for social housing by Jones Lang Lasalle Limited on 1 June 2021.

The excess fair value of the acquired assets over the fair value of the acquired liabilities of £32,005 has been recognised in the Statement of Comprehensive Income. The movement in relation to the acquired pension liability reflects the long term financial agreement entered into with Lothian Pension Fund.

	Initial Book Value £'000	Fair Value Adjustment £'000	Fair Value at Acquisition £'000
Housing Properties	63,687	17,829	81,516
Other Fixed Assets	1,178	-	1,178
Stock	76	-	76
Net Rental Receivables	57	-	57
Amount due from subsidiary	374	-	374
Prepayments and accrued income	52	-	52
Other receivables	200	-	200
Cash and cash equivalents	4,235	-	4,235
Total Assets	69,859	17,829	87,688
Housing Loans	(49,419)	-	(49,419)
Deferred capital grant	(4,790)	4,790	-
Long Term Payables (Lothian Pension Fund)	(11,651)	7,282	(4,369)
Rent and service charges in advance	(386)	-	(386)
Trade payables	(48)	-	(48)
Other payables	(512)	-	(512)
Accruals and deferred income	(182)	-	(182)
Other provision for liabilities	(767)	-	(767)
Total Liabilities	(67,755)	12,072	(55,683)
Net Assets	2,104	29,901	32,005

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

30. Provision for Liabilities

	2022	2021
	£000	£000
Corbiehall Provision	<u>750</u>	-

There is a legal obligation for Link under housing legislation that requires it to provide tenants with a habitable home and one which meets the SHQS. The properties at Corbiehall do not meet that requirement given the extensive analysis of works required, the on-going void position and the planned tender for works and in order to achieve that Link will be obligated to spend sums identified to ensure those minimum standards are met for the properties it owns in the scheme.