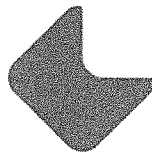


LINK GROUP LIMITED



LINKGROUP

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2013

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

REPORTS AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

Contents:

Page Number

1. Board of Management, Directors and Advisers
2. – 6. Report of the Board of Management
7. – 8. Board Statement on Internal Financial Controls
9. Statement of Responsibilities of the Board of Management
10. – 11. Independent Auditor's Report
12. Consolidated Income and Expenditure Account
12. Consolidated Statement of Total Recognised Gains and Losses
13. Link Group Limited Income and Expenditure Account
13. Link Group Limited Statement of Total Recognised Gains and Losses
114. Consolidated Balance Sheet
15. Link Group Limited Balance Sheet
16. Consolidated Cash Flow Statement
17. Link Group Limited Cash Flow Statement
18. – 44. Notes to the Accounts

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS

BOARD OF MANAGEMENT

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

CHIEF EXECUTIVE AND DIRECTORS

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

AUDITOR

Scott-Moncrieff

BANKERS

Bank of Scotland

SOLICITORS

Burness Solicitors LLP

FUNDERS

Royal Bank of Scotland

Lloyds Banking Group

Dunfermline Building Society

Santander Corporate Banking

REGISTERED OFFICE

2C New Mart Road
Edinburgh
EH14 1RL

WEB SITE

www.linkhousing.org.uk

E-MAIL

linkhousing@linkhousing.org.uk

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

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

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Financial Performance

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

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

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

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

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

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

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

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

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

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

Financial Performance (continued)

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

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

Investment and Financing

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

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

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

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

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

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

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

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

presents a major financial challenge.

Operating Performance

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

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

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

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

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

Group Strategy

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

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

Group Structure

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

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

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

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

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

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

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

Business Outlook

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

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

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

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

Board and Directors

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

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

Equality and Diversity

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

Employee Involvement

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

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

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

Basis of Preparation of Accounts

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

Auditor

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

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

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

BY ORDER OF THE BOARD



J N Hall, FCCA
Secretary

9 July 2013

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS

Internal Financial Control

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

Corporate Governance

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

Management Structure

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

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

Policies

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

Procedures Manuals

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

Quality and Integrity of Personnel

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

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

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (Continued)

Identification of Business Risks

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

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

Management Information Systems

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

Internal Control Systems

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

Internal Audit

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

Audit and Risk Committee

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

Appeals Committee

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

Health & Safety

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

Statement

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

LINK GROUP LIMITED

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

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

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

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

LINK GROUP LIMITED

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

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

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of board of management and auditor

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the consolidated financial statements:

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

LINK GROUP LIMITED

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

Matters on which we are required to report by exception

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

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

Corporate Governance Matters

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

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

Opinion

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



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

9 July 2013

LINK GROUP LIMITED

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

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

The results for the year relate wholly to continuing activities.

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

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

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

LINK GROUP LIMITED

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

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

The results for the year relate wholly to continuing activities.

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

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

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

LINK GROUP LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2013

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

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

P Foreman, Chairman

E Banks, Board Member

J N Hall, Secretary

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