

LINK GROUP LIMITED



**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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

Scottish Charity No: SC001026

The Scottish Housing Regulator No: HAL 148

LINK GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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LINK GROUP LIMITED

BOARD OF MANAGEMENT, DIRECTORS AND ADVISORS

BOARD OF MANAGEMENT

R Stirrat (Chairman)	I Dickson
J Hinton (Vice-Chairman)	C Donaldson
C Allan (appointed 11 October 2016)	D Mackie
P Biberbach	C Macneill
M Catterall (appointed 11 October 2016)	H Sharp
A Colston	A Smith
A Diamond	D Wilson

CHIEF EXECUTIVE AND DIRECTORS

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

EXTERNAL AUDITOR

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

BANKER

Bank of Scotland
75 George Street
Edinburgh EH2 3EW

SOLICITOR

Burness Paull LLP
50 Lothian Road
Edinburgh EH3 9WJ

INTERNAL AUDITOR

TIAA
61 Dublin Street
Edinburgh EH3 6NL

Harper Macleod LLP
45 Gordon Street
Glasgow G1 3PE

FUNDERS

Royal Bank of Scotland
M&G Investments

Bank of Scotland

Santander Corporate Banking

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REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the group financial statements for the year ended 31 March 2017. The report includes the Strategic report requirements and disclosures as set out in the Housing SORP 2014 - Statement of Recommended Practice for Registered Social Housing Providers.

Principal activity

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

Group Structure

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

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

Link Group Limited, Larkfield Housing Association, West Highland Housing Association and Horizon Housing Association (all of which have charitable status) are the four RSLs in the group. As RSL subsidiaries, Larkfield, West Highland and Horizon have retained their assets, names and identities. Link has the power to appoint the majority of the management committee members and the circumstances where Link would exercise that power are dealt with in the independence agreement which governs the relationship between Link and these RSL subsidiaries.

All other members of the group are wholly owned subsidiaries of Link and it appoints the Board members of subsidiary companies on the recommendation of the subsidiary company's Board. Some Link Group Board members are also members of subsidiary boards.

Each subsidiary has entered into an independence agreement with Link. This document preserves the independence of the subsidiaries and sets out the respective responsibilities of each party. The independence agreement confirms the processes and procedures each party will conform to and the basis upon which services will be provided is contained in service level agreements.

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

Group Strategy and Objectives

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

In October 2016 a Strategy Day was held involving Group Board Members and chairs of the subsidiaries. Following this meeting the Board agreed areas of strategic focus for the business plan being:

- Increasing growth through the supply of social and affordable housing and identifying potential new group members.
- Establishing an employability academy.
- Defining and demonstrating Value for Money.
- Improving services through business change and ICT investment.
- Developing new sustainable income streams.
- Extending the service delivery offering of Link Property (Link's in house trades team subsidiary)
- Examining the group structure to ensure it remains fit for purpose

Group Strategy and Objectives (continued)

The subsidiaries add to these objectives and targets, following which a group business plan is submitted to the group Board for approval prior to the beginning of the financial year.

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

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

Providing Homes

- Build 2,800 new rented homes over the next five years that meet people's needs including expansion into the private rented sector.
- Seek opportunities to build for sale, low cost, good quality homes.
- Ensure Link's homes are well maintained, efficient to heat and are adaptable as people's needs change.

Building Communities

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

Valuing People

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

Working Together

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

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REPORT OF THE BOARD OF MANAGEMENT (continued)

Operating Performance

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

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

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

Performance Indicator	Link Group	Scottish Average
Percentage of tenants satisfied with overall service provided by landlord	95%	89%
Percentage of tenants who consider their rent represents value for money	78%	79%
Percentage of tenants satisfied with standard of home when moving in	85%	90%
Average hours to complete emergency repairs	2.9 hours	5.9 hours
Percentage of reactive repair appointments kept	99%	94%
Percentage of tenants satisfied with repairs service	98%	90%
Percentage gross rent arrears of rent due	3.3%	5.3%
Average calendar days to re-let properties	35 days	35 days
Percentage average weekly rent increase	1.5%	1.9%
Percentage void rent loss	0.8%	1%

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

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

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

All the RSLs also performed well in terms of rent collection performance and rent arrears management. Also in terms of value for money, void rent loss from vacant periods between tenancies ranged from 0.3% of rent due to the highest

Operating Performance (continued)

being 0.8% of rent due. A high degree of efficiency in the time taken to re-let homes was also achieved with the average number days for re-let ranging from 8 days to 35 days. The SHR publishes an annual regulation plan for Link which covers the group and the 2017 plan does not contain any areas of attention or focus in relation to any operating performance deficiencies.

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

The CSC is part of the main operating base of Link Housing Association (LHA) Limited. LHA is the subsidiary company which carries out all the housing management functions for Link Group Limited including the management of the social rented housing, mid-market rented housing, shared ownership and the shared equity sales functions. LHA also continues to provide a comprehensive private sector leasing service for the City of Edinburgh Council which involves the management of around 1,500 properties, let to applicants who were previously homeless.

Link continues to participate in initiatives designed to assist first-time buyers on low incomes in central Scotland through the provision of shared equity grants. The schemes (Help to Buy and the Open Market Shared Equity Scheme) are promoted by the Scottish Government and operated by Link. The grants are repayable when the property is sold and are repaid in proportion to the original purchase price, by reference to the value of the property when ultimately sold. The grant repayment is returned via Link to the Scottish Government. Link bears no risk or reward in respect of the shared equity arrangement and acts as an agent for Scottish Ministers in return for an administration fee.

The Help to Buy scheme is aimed at assisting qualifying individuals with a top-up deposit so that they can access mortgage borrowing and purchase a property. The scheme operates in a very similar way to the shared equity grant schemes, with the top-up deposit being paid as a grant, and repayable as a proportion of the value of the property when sold.

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

Financial Performance

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

The financial statements reflect the requirements of the Statement of Recommended Practice for registered social housing providers, the Housing SORP 2014.

In 2017 Link achieved a surplus for the year of £2.4m (2016 £2.8m). Turnover increased by approximately 8% to £40.8m and operating costs increased by 14% to £35.1m. The income from social letting activities increased by 6.6% (increasing income by £2.1m) and this reflects rent increases applied in April 2016 and rents received from new build completions during the year. Turnover from other activities increased by £0.9m and most of this additional income arose from an increase in Development and Improvement for Sale to non RSLs, which includes all the shared equity properties built and sold by Link (an increase of £1.5m), offset by a reduction in gain on sale of properties (gross receipts decreased by £0.7m).

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 £9.2m in 2017 (2016, £8.3m) The total investment in 2017 on all maintenance activities was £11.9m (2016, £10.4m), £2.6m (2016, £2.1m) of which was treated as capital expenditure.

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REPORT OF THE BOARD OF MANAGEMENT (continued)

Financial Performance (continued)

Link's surplus for the year decreased by £0.4m from the 2016 position. The main reasons were the decrease in the Operating Surplus (from £7m in 2016 to £6.2m in 2017), an increase in interest payable of £0.4m, and an increase (from £0.9m to £1.3m) in the net surpluses achieved in Link's subsidiary companies and gift aided to Link. Included in the surplus for the year was a gain on the revaluation of investment properties of £0.6m and a reduction in pension liability which increased the final surplus by £0.5m.

The overall surplus for the year of £2.4m was achieved after meeting interest payable and related finance costs (£5.5m, 2016 £5.1m) on loans borrowed to support new properties built and those in the course of construction. The results for 2017 were entirely in line with the Board's expectations and exceeded Link's budget for 2016/17.

Annual expenditure on planned and cyclical maintenance and major repairs is derived from a 30-year investment model designed to ensure all Link's properties are maintained to a specific standard, thereby continuing to extend the useful life of the properties. The investment model takes account of the life cycles of individual components and generates an annual spend profile across all of Link's stock. The investment programme is influenced by Link's asset management strategy, which assesses when it will be appropriate to carry out whole refurbishment of properties and/or consider other re-development opportunities, rather than a continual cycle of building component replacement.

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

Despite the significant planned maintenance investment in its stock, Link is required by the Housing SORP 2014 to depreciate its housing properties and retained surpluses are calculated after providing for depreciation of £10.3m in 2017 (2016: £9.4m). The depreciation is offset by amortising the grants received to build the properties which results in a credit to income of £4.9m in 2017 (2016: £4.5m).

At 31 March 2017, Link's total reserves amounted to £59.7m, an increase of £2.4m from 2016. The increase in reserves is solely attributable to the surplus achieved. In addition to providing funds for re-development, these reserves are required to support Link's development programme, the planned maintenance investment programme and provide a hedge against risk. The total reserves in 2017 are also after providing for Link's pension liability to the Scottish Housing Association Pension scheme of £1.2m (2016: 1.9m).

The financial statements include the results of all Link subsidiaries and the Link Group surplus is shown on page 16. In the year to 31 March 2017 the consolidated surplus for the year (page 16) was £5.3m (2016: £4.4m). The total consolidated reserves amounted to £87.3m (2016: £82m) In 2015 West Highland Housing Association (WHHA) joined the group and the consolidated surplus for that year included accounting for the increase in value of the assets of WHHA over the historic cost of the assets, which contributes to the consolidated reserves being higher than that of Link Group Limited.

The Board reviews the financial position of all the group members on a quarterly basis when it considers the consolidated quarterly management accounts. The final results for 2017 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 £30.3m (2016: £31.9m) in new properties for rent and sale on a shared equity basis across the central belt of Scotland and on replacement of building components. This expenditure was partly financed by Social Housing Grant of £12.8m (2016: £16.7m) with the balance funded by income from property sales, cash flow and loans drawn from Link's loan facilities.

The increase in investment in new properties reflected expenditure on the significant number of projects receiving grant approval from the Scottish Government. During 2016/17, Link completed 283 properties (2016: 241) comprising 157 for

social rent, 39 for New Supply Shared equity, 2 for shared ownership and 85 properties to be let at mid-market rents.

Investment and Financing (continued)

Link maintains £35m of revolving credit facilities with two of its lenders. These facilities enable Link to finance the development programme and then, when the facilities are fully drawn, Link will obtain long term finance so that the revolving credit facilities are once again available to finance the ongoing development programme. In early June 2016 Link arranged a further private placement with M&G Investments for £15m mainly as a hedge against the risk of a vote to leave the European Union and the potential for that to significantly disrupt the capital markets with lenders and investors being unwilling to commit to providing further funding.

During the five year business plan period, Link anticipates it would require £175m of long term facilities and this sum enables the revolver facilities to be repaid in full. Link's Board agreed a funding strategy in May 2017 to ensure Link can source the long term facilities which are required in tranches between 2018 and 2021. Link is confident that it can secure further long term finance although if there is a shortage of long term funding Link will either agree further short to medium term facilities with its lenders or scale back its development programme accordingly.

Link's treasury management policy aims to maintain approximately 50% to 80% of Link's borrowings on fixed interest rates, maturing over a rolling period, as a hedge against adverse movements in variable interest rates. At March 2017, Link's borrowings exceeded the 80% target but the Board was satisfied that this was only a short term position which would reduce as Link accessed its revolving credit facilities over the next few years (which are on variable interest rates).

In addition to the housing properties required as security for all its current borrowings, Link has a large proportion of housing stock available 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 and when completed, these properties will also be available as security for future borrowings.

Link has a continuing, substantial investment programme. The business plan projection is to complete 2,814 properties for rent over the five year business plan period through to 2021/22, in addition to which Link also plans to build a further 383 properties for shared equity sales. The business plan projection for rented properties is to develop approximately 70% for social rent with the remainder being mainly for mid-market rent. At current grant subsidy levels Link is confident that it will be able to continue to build and let new homes at social rent levels thus providing welcome genuinely affordable housing to those in need.

In recognition however, that in certain areas of the country, there is a real need and demand for mid-market rented properties (with rents set at around 80% of the local housing allowance levels). Link will continue to provide that housing tenure, utilising lower grant funding levels from the Scottish Government. Mid-market rented properties are often at rents substantially less than full market rates and can be suitable for key incoming workers and those in employment but with limited incomes. Link expects that by the end of the business plan period it will have completed around 1,500 mid-market rent properties under management.

Business Risks

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

The principal risks identified relate to potential increases in pension liabilities (mitigated by the move of group staff to defined contribution schemes) and the impact of welfare reform. As the availability and cost of long term funding has not been an issue for Link, this is not seen as a high risk area despite the scale of the development programme and the need to source around £175m of new funding. Unless the financial outlook changes materially Link is confident that it will continue to be an attractive proposition to funders.

Welfare reform is a major challenge being faced by all social housing providers and Link continues to assess the

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potential impact as a high risk area. As the changes will restrict benefits, including housing benefit, to claimants there

REPORT OF THE BOARD OF MANAGEMENT (continued)

are real concerns about the effect the changes will have on tenants' ability to meet their rent payments. Link has invested considerable time in evaluating and assessing the probable impact of the changes in terms of rent arrears and potential bad debts. It is confident that its arrears management policies and procedures will enable Link to cope with the challenge however the continued roll out of Universal Credit is causing considerable concern in terms of its impact on housing provider's cash flows, arrears and potential bad debts.

Business Outlook

Link has a strong development programme and is committed both to growth in its services to customers and attracting other RSLs to join the group. In addition to completing the current substantial development programme, Link actively seeks to source and fund the purchase of sites for housing development, to safeguard future housing supply. Link is confident that it can continue to develop and meet housing needs particularly in areas where there is a severe shortage of affordable housing options.

With support from the Scottish Government in maintaining current grant levels, Link expects to be able to continue to provide affordable housing covering a range of tenure types to people with a variety of housing needs. Link has substantial expertise in delivering development solutions. It has the financial strength and capacity to work closely with the Scottish Government and others, to continue to provide affordable housing in what could be a challenging financial environment in the aftermath of the outcome of the European Referendum.

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

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

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

Whilst Link is committed to growth and maintaining high levels of customer service, the Board is keen to ensure that Link continues to support key initiatives such as the establishment of an employability academy as well as continuing to support the expansion of Link's care and support activities through its subsidiary, LinkLiving Limited.

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 2017 stood at 14 Members (as at the date of this report, 14 Members). The Directors of Link (who are staff members) have no beneficial interest in its share capital and they act within the authority delegated by the Board of management.

Equality and Diversity

Link is committed to creating an environment where people are valued and given equal opportunity to employment and services. Staff are guided by the values in Link's equality diversity & inclusion (ED&I) policy, and the ED&I group meets regularly to oversee the achievement of action plans across the group. Link has Investors in Diversity status and remains committed to support staff and Board members in further developing our approach to equality and diversity.

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REPORT OF THE BOARD OF MANAGEMENT (continued)

Employee Involvement

Link employed 658 staff (2016: 649) across the group on average throughout the year. 111 staff members (2016: 106) are employed in Link Group Limited. Link's employee involvement covers a wide range of methods from the formal recognition of the UNITE union, to employee information and consultation groups, working parties and project groups. Regular team and one-to-one meetings with staff ensure that communication is of good quality, and that these meetings supplement the monthly core brief emanating from the Board meetings and the monthly staff newsletter. Link's employee involvement, learning and development activities and well-being initiatives have been acknowledged through achievement of Investors in People Gold award, Investors in Young People award and Healthy Working Lives Gold.

Basis of Preparation of Financial statements

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

Auditor

A resolution to re-appoint KPMG LLP as auditor will be proposed to the annual general meeting to be held on 22 August 2017.

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

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

BY ORDER OF THE BOARD

I Dickson
Board Member

Date: 18 July 2017

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

LINK GROUP LIMITED

BOARD OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS

Internal Financial Control

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

Corporate Governance

Link follows the Regulatory Code of Governance published by the Scottish Housing Regulator and the Board continues to be satisfied that Link complies with the Regulatory Code of Governance. Board Members are also required to adhere to the Code of Governance for Governing Body Members.

Management Structure

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

The Board operates with three Sub Committees, the Group Audit and Risk Committee (which meets three times a year), the Development Committee (which meets six times a year) and the Remuneration Committee (which meets as required). Board meetings are held bi-monthly and are structured to focus on performance and financial monitoring and to allow sufficient time for the Board to focus on strategic direction. The remit of the three Sub-Committees is further described later in this statement.

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

Policies

The group has up-to-date policies in place for all areas of the business. The Strategy and Business Support team co-ordinates the policy review process across the group and during the year the relevant Boards approved a number of revised/updated policies in accordance with the policy review timetable. Where appropriate group wide policies are adopted, but there are a number of locally focussed policies which are approved by the relevant subsidiary Boards. All group policies are available to staff through the intranet. Link also publishes customer-related policies on its web page.

Procedure Manuals

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

Quality and Integrity of Personnel

The integrity and competence of staff is ensured and maintained through high recruitment standards and subsequent training courses. In addition the group operates a performance management framework incorporating regular staff performance reviews and annual appraisals. Training and development plans for all staff are set annually.

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

Identification of Business Risks

The Boards are responsible for identifying the major business risks faced by the group and for determining the appropriate course of action to manage those risks. Major business risks and the financial implications are assessed by reference to established criteria. These risks are incorporated into risk registers which are reviewed by the Senior Management Group, the Group Audit and Risk Committee and the Board itself.

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

Management Information Systems

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

Internal Control Systems

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

Internal Audit

Internal Audit services are provided by an experienced external company. The audit work plan is generated from a detailed Audit Needs Assessment which is based upon a systematic risk assessment of the groups' operations and activities. The Internal Auditor reports to the Group Audit & Risk Committee.

Group Audit and Risk Committee

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

Development Committee

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

Remuneration Committee

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

Health & Safety

The group is committed to the provision of a healthy and safe working environment. The group endeavours to eliminate hazards where recognisable, including the risk of fire; security losses; damage to plant, property and the environment, thus significantly reducing the risk of personal injury or occupational ill health to all personnel. The Health & Safety Committee staff groups in each RSL oversee the risk assessment programme and regularly review the policies. Link's full-time Health and Safety Officer works closely with the group Health and Safety Committees.

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BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (continued)

Statement

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

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

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

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

The Board has continued to review the system of internal financial control in Link during the year ended 31 March 2017 and internal financial control systems of the wider group including all subsidiary companies. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements, or in the auditor's report on the financial statements.

BY ORDER OF THE BOARD

I Dickson
Board Member

Date: 18 July 2017

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

LINK GROUP LIMITED

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

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

Co-operative and Community Benefit Society law requires the Board of Management to prepare financial statements for each financial year. Under those regulations the Board of Management has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

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

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

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

I Dickson
Board Member

Date: 18 July 2017

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

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

We have audited the financial statements of Link Group Limited for the year ended 31 March 2017 set out on pages 16 to 55. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of the Board and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and the association as at 31 March 2017 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2015; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

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

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

Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Turnover	2a	62,735	58,421
Operating expenditure	2a	(52,948)	(48,020)
Gain on revaluation of investment properties		550	-
Operating surplus	2a	10,337	10,401
Interest receivable		46	96
Interest and financing costs	6	(6,458)	(6,086)
Other finance charges		(80)	(110)
Gain on sale of non-housing assets		4	6
Negative goodwill arising from the acquisition of Lintel Trust	30	-	124
Surplus on ordinary activities before taxation		3,849	4,431
Taxation		-	-
Surplus for the year		3,849	4,431
Release of provision for pension liabilities		4,894	-
Remeasurement of the defined benefit pension liability		(3,453)	-
Total comprehensive income for the year		5,290	4,431

The results for the year relate wholly to continuing activities.

The notes on pages 23 to 55 form part of these accounts.

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Turnover	2b	40,753	37,781
Operating expenditure	2b	(35,145)	(30,808)
Gain on revaluation of investment properties		550	-
Operating surplus	2b	6,158	6,973
Interest receivable		4	51
Interest and financing costs	6	(5,481)	(5,059)
Other finance charges		(32)	(42)
Income from subsidiary undertakings		1,252	853
Surplus on ordinary activities before taxation		1,901	2,776
Taxation		-	-
Surplus for the year		1,901	2,776
Release of provision for pension liabilities		1,868	-
Remeasurement of the defined benefit pension liability		(1,372)	-
Total comprehensive income for the year		2,397	2,776

The results for the year relate wholly to continuing activities.

The notes on pages 23 to 55 form part of these accounts.

LINK GROUP LIMITED**STATEMENT OF CHANGES IN RESERVES AS AT 31 MARCH 2017****CONSOLIDATED STATEMENT OF CHANGES IN RESERVES**

	Revenue Reserve £'000	Restricted Reserve £'000	2017 Total £'000	2016 Total £'000
Balance as at 1 April 2016	81,922	68	81,990	77,559
Surplus from Statement of Comprehensive Income	3,863	(14)	3,849	4,431
Release of provision for pension liabilities	4,894	-	4,894	-
Remeasurement of the defined benefit pension liability	(3,453)	-	(3,453)	-
Balance as at 31 March 2017	87,226	54	87,280	81,990

LINK GROUP LIMITED STATEMENT OF CHANGES IN RESERVES

	Share Capital £'000	Revenue Reserve £'000	2017 Total £'000	2016 Total £'000
Balance as at 1 April 2016	-	57,322	57,322	54,546
Surplus from Statement of Comprehensive Income	-	1,901	2,397	2,776
Release of provision for pension liabilities	-	1,868	1,868	-
Remeasurement of the defined benefit pension liability	-	(1,372)	(1,372)	-
Balance as at 31 March 2017	-	59,719	59,719	57,322

The notes on pages 23 to 55 form part of these accounts.

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Intangible Assets	11a	449	518
Non-Current Assets			
Tangible fixed assets;			
Housing properties	12a	442,667	419,005
Investments - property	12c	9,550	9,000
Investments - other	14	8	-
Other fixed assets	13	8,818	9,063
		<u>461,043</u>	<u>437,068</u>
Current assets			
Work in progress & stocks	15	6,225	4,938
Trade and other debtors	16	9,337	8,806
Investments		3,015	2,000
Cash and cash equivalents		14,754	21,086
		<u>33,331</u>	<u>36,830</u>
Creditors: amounts falling due within one year	17	(24,689)	(25,498)
Net current assets		<u>8,642</u>	<u>11,332</u>
Total assets less current liabilities		<u>470,134</u>	<u>448,918</u>
Creditors: amounts falling due after more than one year	18	(147,059)	(137,580)
Deferred income	19	(232,682)	(224,454)
Provisions for liabilities	20	-	(4,894)
Pension scheme liability	20,31	(3,113)	-
Net assets		<u><u>87,280</u></u>	<u><u>81,990</u></u>
Capital and reserves			
Restricted reserve		54	68
Revenue reserve		87,226	81,922
Total reserves		<u><u>87,280</u></u>	<u><u>81,990</u></u>

Approved and authorised for issue by the Board of Management on 18 July 2017 and signed on its behalf by:-

P Biberbach, Board Member

I Dickson, Board Member

J N Hall, Secretary

The notes on pages 23 to 55 form part of these accounts.

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Intangible Assets	11b	350	407
Non-Current Assets			
Tangible fixed assets;			
Housing properties	12b	353,101	331,800
Investments - property	12c	9,550	9,000
Other tangible fixed assets	13b	6,833	7,051
Intangible non-current assets			
Investments - other	14	100	100
		<u>369,584</u>	<u>347,951</u>
Current assets			
Work in progress	15	6,046	4,925
Trade and other debtors	16	8,542	8,824
Cash and cash equivalents		6,041	8,217
		<u>20,629</u>	<u>21,966</u>
Creditors: amounts falling due within one year	17	(16,804)	(16,079)
Net current assets		<u>3,825</u>	<u>5,887</u>
Total assets less current liabilities		373,759	354,245
Creditors: amounts falling due after more than one year	18	(118,000)	(107,578)
Deferred income	19	(194,801)	(187,477)
Provisions for liabilities	20	-	(1,868)
Pension scheme liability	20,31	(1,239)	-
Total net assets		<u><u>59,719</u></u>	<u><u>57,322</u></u>
Capital and reserves			
Share Capital		-	-
Revenue reserve		59,719	57,322
Total reserves		<u><u>59,719</u></u>	<u><u>57,322</u></u>

Approved and authorised for issue by the Board of Management on 18 July 2017 and signed on its behalf by:-

P Biberbach, Board Member

I Dickson, Board Member

J N Hall, Secretary

The notes on pages 23 to 55 form part of these accounts

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

LINK GROUP LIMITED

	Notes	2017 £'000	2016 £'000
Net cash inflow generated from operating activities	27	16,036	18,027
Investing activities			
Acquisition and construction of properties		(39,141)	(39,471)
Acquisition of subsidiary		-	124
Purchase of other fixed assets		(327)	(497)
Purchase of short term Investment		(1,051)	-
Proceeds on disposal of fixed assets		1,831	2,400
Grants received		13,813	19,395
Grants repaid		(711)	(562)
Interest received on cash and cash equivalents		46	96
Net cash outflow from investing activities		<u>(25,540)</u>	<u>(18,515)</u>
Financing activities			
Interest paid on loans		(6,249)	(6,198)
New loans		23,000	6,000
Loan principal repayments		(13,579)	(1,013)
Net cash outflow from financing activities		<u>3,172</u>	<u>(1,211)</u>
Decrease in cash		<u>(6,332)</u>	<u>(1,699)</u>
Opening cash and cash equivalents		<u>21,086</u>	<u>22,785</u>
Closing cash and cash equivalents		<u>14,754</u>	<u>21,086</u>

The notes on pages 23 to 55 form part of these accounts

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Net cash inflow generated from operating activities	27	14,429	14,720
Investing activities			
Acquisition and construction of properties		(33,880)	(33,734)
Purchase of other fixed assets		(127)	(245)
Proceeds on disposal of fixed assets		1,462	2,107
Grants received		11,544	17,589
Grants repaid		(661)	(538)
Interest received on cash and cash equivalents		4	51
Net cash outflow from investing activities		(21,658)	(14,770)
Financing activities			
Interest paid on loans		(5,272)	(5,105)
New loans		23,000	6,000
Loan principal repayments		(12,675)	(95)
Net cash inflow / (outflow) from financing activities		5,053	800
(Decrease) / increase in cash		(2,176)	750
Opening cash and cash equivalents		8,217	7,467
Closing cash and cash equivalents		<u>6,041</u>	<u>8,217</u>

The notes on pages 23 to 55 form part of these accounts

LEGAL STATUS

Link Group Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010. It is a Public Benefit Entity in accordance with the definition within FRS 102.

1 ACCOUNTING POLICIES

(a) Basis of accounting

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

The effect of these restatements is shown in Note 32.

(b) Basis of consolidation

The group financial statements consolidate those of Link Group Limited and of its subsidiary undertakings drawn up to 31 March 2017. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

(c) Going concern

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

(d) Investments in subsidiaries

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

(e) Financial instruments - loans

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

(f) Bad and doubtful debts

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

(g) Tangible fixed assets - housing land and buildings

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

ACCOUNTING POLICIES (continued)**(h) Investment properties**

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

(i) Grants

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

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

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

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

(j) Mortgages

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

(k) Depreciation and impairment

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

Housing land and buildings

Properties are stated at historical cost less accumulated depreciation. Each property has been split between its major component parts which are depreciated on a straight line basis over their expected economic useful life. The following major components and useful lives have been identified by the Group:

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

Works to existing properties are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income, or
- a material reduction in future maintenance costs, or
- a significant extension to the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

ACCOUNTING POLICIES (continued)

(k) Depreciation and impairment (continued)

Other fixed assets

Capital expenditure incurred on the acquisition and improvement of the Group's offices is written off over 50 years. Improvements to offices leased by the Association are capitalised and depreciated over the term of the lease. Furniture, fittings and equipment are depreciated at 15% per annum on cost. Motor vehicles are depreciated at 25% per annum of net book value. Computer equipment and systems are depreciated at 10%, 20% or 33.3% per annum on cost, according to the estimated useful life of the asset. Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus unless it was a reversal of a past revaluation surplus in which case it would be taken to the statement of total recognised gains and losses.

(l) Work in progress

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

(m) Impairment of fixed assets

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

(n) Shared Ownership transactions

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

(o) Apportionment of management expenses

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

(p) Pensions

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

In respect of the 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 or loss on pension schemes.

(q) Value Added Tax

Link Group has group registration for VAT purposes. A large proportion of Link Group's income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. For 2016/17, only a small proportion of VAT paid is recoverable, expenditure is therefore shown inclusive of VAT and any input VAT recovered is included in other income.

(r) Lease obligations

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

(s) Deposits and liquid resources

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

(t) Trade debtors and prepayments/creditors

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

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

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

(u) Provisions

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

(v) Taxation

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

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

(w) Acquisition accounting

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

(x) Gift Aid accounting

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

Gift aid receipts are only recognised as an asset at the year end to the extent that it has been received prior to the year end, there is a deed of covenant prior to the yearend or a Companies Act s288 written resolution has been approved by the subsidiary shareholders in the year to pay the taxable profit for the year to its parent by a certain payment date.

(y) Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and property management, revenue grants, fees from managed associations and other income. In respect of the Consolidated Income and Expenditure Account, turnover also includes income from providing support and personal care services, housing for sale projects and property management and factoring income. Also included is any income from first tranche shared ownership disposals and the sale of properties on a shared equity basis.

(z) Restricted reserves

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

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	2017 Turnover	2017 Operating costs	2017 Operating surplus/ (deficit)	2016 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 3a)	45,040	(35,085)	9,955	10,246
Other activities (note 4a)	17,695	(17,863)	(168)	155
2017 Total	62,735	(52,948)	9,787	10,401
2016 Total	58,421	(48,020)	10,401	

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

	2017 Turnover	2017 Operating costs	2017 Operating surplus/ (deficit)	2016 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 3b)	33,540	(26,227)	7,313	7,954
Other activities (note 4b)	7,213	(8,918)	(1,705)	(981)
2017 Total	40,753	(35,145)	5,608	6,973
2016 Total	37,781	(30,808)	6,973	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	General Needs housing £'000	Supported housing £'000	Shared ownership £'000	2017 Total £'000	2016 Total £'000
Revenue from rent and service charges					
Rents receivable (net of service charges)	36,254	162	1,173	37,589	35,642
Service charges receivable	1,344	-	19	1,363	1,283
Gross income from rent and service charges	37,598	162	1,192	38,952	36,925
Less: rent losses from voids	(355)	(15)	-	(370)	(278)
Net income from rent and service charges	37,243	147	1,192	38,582	36,647
Revenue Grants					
Grants released from deferred income	5,328	71	309	5,708	5,337
Revenue grants from Scottish Ministers	197	-	-	197	136
Other revenue grants	553	-	-	553	221
Other Income	-	-	-	-	-
Total turnover from affordable letting activities	43,321	218	1,501	45,040	42,341
Expenditure					
Management and maintenance administration costs	8,425	17	68	8,510	7,823
Service costs	1,602	3	9	1,614	1,587
Planned and cyclical maintenance & major repair costs	5,084	27	47	5,158	4,144
Reactive maintenance costs	6,488	4	0	6,492	6,230
Bad debts – rents & service charges	256	1	(13)	244	184
Depreciation of affordable let properties	12,071	89	397	12,557	11,710
Loss on disposal of components	510	0	0	510	417
Operating costs for affordable letting activities	34,436	141	508	35,085	32,095
Operating surplus for affordable lettings 2017	8,885	77	993	9,955	10,246
Operating surplus for affordable lettings 2016	9,118	115	1,013	10,246	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2016 - £nil). The cost of property components capitalised in the year was £4,538,804 (2016 - £4,279,538).

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	General Needs housing £'000	Supported housing £'000	Shared ownership £'000	2017 Total £'000	2016 Total £'000
Revenue from rent and service charges					
Rents receivable (net of service charges)	27,619	-	1,051	28,670	26,997
Service charges receivable	-	-	-	-	-
Gross income from rent and service charges	27,619	-	1,051	28,670	26,997
Less: rent losses from voids	(322)	-	-	(322)	(230)
Net income from rent and service charges	27,297	-	1,051	28,348	26,767
Revenue Grants					
Grants released from deferred income	4,551	46	266	4,863	4,487
Revenue grants from Scottish Ministers	-	-	-	-	-
Other income revenue grants	329	-	-	329	209
Total turnover from affordable letting activities	32,177	46	1,317	33,540	31,463
Expenditure					
Management and maintenance administration costs	6,198	9	58	6,265	5,519
Service costs	-	-	-	-	-
Planned and cyclical maintenance & major repair costs	4,494	-	-	4,494	3,845
Reactive maintenance costs	4,737	-	-	4,737	4,431
Bad debts – rents & service charges	201	(8)	(13)	180	153
Depreciation of affordable let properties	9,908	47	363	10,318	9,396
Loss on disposal of components	233	-	-	233	165
Operating costs for affordable letting activities	25,771	48	408	26,227	23,509
Operating surplus / (deficit) for affordable lettings 2017	6,406	(2)	909	7,313	7,954
Operating surplus / (deficit) for affordable lettings 2016	7,024	18	912	7,954	

The cost of property components capitalised in the year was £2,639,766 (2016 - £2,089,849)

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

4a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) FROM OTHER ACTIVITIES – CONSOLIDATED

	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting people income £'000	Other income £'000	Total turnover 2017 £'000	Operating costs Bad debts 2017 £'000	Other operating costs 2017 £'000	Operating surplus / (deficit) 2017 £'000	Operating surplus / (deficit) 2016 £'000
Wider role activities	388	-	-	13	401	-	(1,355)	(954)	(951)
Care and repair of property	239	170	-	22	431	-	(400)	31	(4)
Factoring	-	-	-	172	172	-	(442)	(270)	(208)
Development and construction of property activities	-	-	-	-	-	-	(700)	(700)	(659)
Support activities	-	98	2,898	1,410	4,406	-	(4,976)	(570)	(547)
Contracted out services undertaken for RSLs	-	-	-	187	187	-	(186)	1	251
Contracted out services undertaken for other organisations	-	-	-	3,929	3,929	-	(4,031)	(102)	(497)
Developments and improvements for sale to non-RSLs	-	-	-	2,020	2,020	-	(1,978)	42	(29)
Business & other development costs	-	-	-	-	-	-	(389)	(389)	(439)
Publicity and Promotion	-	-	-	-	-	-	(173)	(173)	(183)
Shared Equity Sales Administration	2,567	-	-	127	2,694	-	(1,346)	1,348	1,323
Investment property activities	-	-	-	881	881	-	(80)	801	760
Gain on sale of properties	-	-	-	1,831	1,831	-	(1,446)	385	979
Other activities	-	12	-	731	743	-	(476)	267	115
Provision for potential costs of litigation released	-	-	-	-	-	-	-	-	359
Provision for sundry bad debts	-	-	-	-	-	115	-	115	(115)
Total from other activities 2017	3,194	280	2,898	11,323	17,695	115	(17,978)	(168)	155
Total from other activities 2016	3,291	303	2,652	9,834	16,080	(115)	(15,810)	155	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting people income £'000	Other income £'000	Total turnover 2017 £'000	Operating costs 2017 £'000	Operating surplus / (deficit) 2017 £'000	Operating surplus / (deficit) 2016 £'000
Wider role activities	-	-	-	-	-	(910)	(910)	(751)
Care and repair of property	239	-	-	-	239	(239)	-	-
Investment property activities	-	-	-	881	881	(80)	801	760
Factoring	-	-	-	-	-	(40)	(40)	(26)
Development and construction of property activities	-	-	-	-	-	(700)	(700)	(659)
Care & support activities	-	-	-	-	-	(453)	(453)	(399)
Contracted out services undertaken for RSLs	-	-	-	222	222	(222)	-	2
Contracted out services undertaken for other organisations	-	-	-	1,854	1,854	(2,052)	(198)	(162)
Development and improvements for sale to non RSLs (incl. shared ownership 1 st tranches & shared equity sales)	-	-	-	2,020	2,020	(1,978)	42	(29)
Business & other development costs	-	-	-	-	-	(389)	(389)	(385)
Publicity and Promotion	-	-	-	-	-	(173)	(173)	(183)
Shared equity and sales administration	396	-	-	-	396	(561)	(165)	(38)
Gain on sale of properties	-	-	-	1,462	1,462	(1,121)	341	855
Other activities	-	12	-	127	139	-	139	34
Total from other activities 2017	635	12	-	6,566	7,213	(8,918)	(1,705)	(981)
Total from other activities 2016	705	25	-	5,588	6,318	(7,299)	(981)	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

In the year to 31 March 2017 Link Group Limited (parent) achieved a gain on disposal of housing properties of £341,195 compared to a gain in 2016 of £855,097. During the year, Link continued to sell properties under the Right to Buy legislation and also the onward sale of shared ownership tranches.

6. INTEREST AND FINANCING COSTS

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

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Statement of comprehensive income – Loan interest	6,458	6,086	5,481	5,059
	<u>6,458</u>	<u>6,086</u>	<u>5,481</u>	<u>5,059</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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, including the Chief Executive were as follows;

	Consolidated		Link Group Ltd	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Emoluments (excluding pension contributions)	653	600	387	391
Total Emoluments	842	789	428	434

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

Emoluments (including pension contributions)	Consolidated		Link Group Ltd	
	2017 No.	2016 No.	2017 No.	2016 No.
£60,000 - £69,999	3	3	-	-
£70,000 - £79,999	1	1	-	-
£80,000 - £89,999	-	1	-	-
£90,000 - £99,999	2	1	1	1
£100,000 - £109,999	2	1	2	1
£110,000 - £119,999	1	1	-	1
£120,000 - £129,999	-	1	1	1
	9	9	4	4

The emoluments, excluding pension contributions, of the highest paid Director, who is the Chief Executive are £110,011 (2016, £109,168). The Chief Executive is an ordinary member of the pension scheme, no enhanced or special terms apply and he has no other pension arrangements with Link. The pension contribution by Link in respect of the Chief Executive amounted to £12,274 (2016, £12,177).

The total emoluments of the Chief Executive for the year was £122,285 (2016, £121,345).

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

7. KEY MANAGEMENT PERSONNEL AND BOARD MEMBERS' EMOLUMENTS (CONTINUED)

Aggregate compensation payable to officers for loss of office:

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Compensation for loss of office	-	-	-	-

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

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

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Board of Management	5	7	4	4

8. EMPLOYEES

Staff costs during the year:

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Wages and salaries	16,195	14,949	3,936	3,625
Social security costs	1,453	1,337	389	380
Other pension costs	1,102	1,063	332	339
	18,750	17,349	4,657	4,344

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	No.	No.	No.	No.
The average number of persons employed during the year	656	647	111	106

The average number of full time equivalent persons employed during the year	570	541	104	97
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9. AUDITOR'S REMUNERATION

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Audit of these financial statements	19	17	19	17
Audit of financial statements of subsidiaries	52	53	-	-
Consultancy advice services	-	30	-	30
Taxation compliance services	11	10	2	2
	82	110	21	49

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

10. HOUSING STOCK – LINK GROUP

Analysis of housing stock by accommodation type

	Units in management		Units under development	
	31 March 2017 Units	31 March 2016 Units	31 March 2017 Units	31 March 2016 Units
Link Group Limited				
Housing accommodation for letting	6,891	6,635	285	427
Shared bedspaces	531	525	-	-
Shared ownership accommodation	460	471	-	-
Larkfield Housing Association Limited				
Housing accommodation for letting	382	390	-	-
Horizon Housing Association				
Housing accommodation for letting	785	784	-	-
Shared ownership accommodation	29	31	-	-
Shared bedspaces	44	44	-	-
West Highland Housing Association Limited				
Housing accommodation for letting	762	745	-	-
Shared ownership accommodation	23	23	-	-
Rent to buy	50	50	-	-
Total units in management	9,957	9,698	285	427

Included in Link Group Limited above are 17 units currently out of management (2016 -8) and excluded are 344 non-housing units (2016 - 300).

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

Organisation	31 March 2017 Units	31 March 2016 Units
	Stirling University	85
Others	20	11
	<u>105</u>	<u>96</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

11a. INTANGIBLE ASSETS – CONSOLIDATED

	Software in development £'000	Software in use £'000	2017 Total £'000	2016 Total £'000
Cost				
At 1 April 2016	111	715	826	655
Additions	87	16	103	171
At 31 March 2017	198	731	929	826
Amortisation				
At 1 April 2016	-	308	308	236
Amortised during the year	99	73	172	72
At 31 March 2017	99	381	480	308
Net book value at 31 March 2017	99	350	449	518
Net book value at 31 March 2016	111	407	518	

11b. INTANGIBLE ASSETS – LINK GROUP LIMITED

	Software in use £'000	2017 Total £'000	2016 Total £'000
Cost			
At 1 April 2016	715	715	655
Additions	16	16	60
At 31 March 2017	731	731	715
Amortisation			
At 1 April 2016	308	308	236
Amortised during the year	73	73	72
At 31 March 2017	381	381	308
Net book value at 31 March 2017	350	350	407
Net book value at 31 March 2016	407	407	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

12a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – CONSOLIDATED

	Housing properties held for letting £'000	Shared Ownership properties £'000	Housing properties in course of construction £'000	Shared ownership properties in course of construction £'000	2017 Total £'000	2016 Total £'000
Cost						
At 1 April 2016	491,275	23,917	35,040	-	550,232	514,275
Additions	5,059	252	32,568	244	38,123	38,300
Re-allocation of Shared Equity & Shared Ownership costs from Work In Progress Transfers	70	(70)	-	-	-	544
Disposals - initial tranches	36,852	244	(36,852)	(244)	-	-
- other sales	(2,507)	(33)	-	-	(33)	(110)
	(2,507)	(795)	-	-	(3,302)	(2,777)
At 31 March 2017	530,749	23,515	30,756	-	585,020	550,232
Depreciation						
At 1 April 2016	125,547	5,680	-	-	131,227	120,750
Provided during the year	12,173	384	-	-	12,557	11,710
On disposals	(1,352)	(79)	-	-	(1,431)	(1,233)
At 31 March 2017	136,368	5,985	-	-	142,353	131,227
Net book value at 31 March 2017	394,381	17,530	30,756	-	442,667	419,005
Net book value at 31 March 2016	365,728	18,237	35,040	-	419,005	

Housing association grants above include no grants from other sources in the year (2016 – nil). Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2016 – nil). Included in property additions is £4,538,804 which was capitalised in the year (2016 - £4,279,538). Total works expenditure on housing properties amounted to £6,481,702 (2016 - £6,069,077) of which £4,538,804 (2016 - £4,279,538) was capitalised and £1,942,898 (2016 - £1,789,539) was expensed. Of the £4,538,804 (2016 - £4,279,538) works capitalised, £4,538,804 (2016 - £4,279,538) were replacements and £nil (2016- £nil) were improvements.

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

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	Housing properties held for letting £'000	Shared ownership housing properties £'000	Housing properties in course of construction £'000	Shared Ownership Properties in course of construction £'000	2017 Total £'000	2016 Total £'000
Cost						
At 1 April 2016	390,923	21,638	31,277	-	443,838	411,928
Additions	3,096	184	29,419	244	32,943	33,413
Re-allocation of Shared Equity & Shared Ownership costs from Work In Progress Transfers	70	(70)	-	-	-	543
Disposals - initial tranches	34,040	244	(34,040)	(244)	-	-
- other sales	-	(33)	-	-	(33)	(110)
	(1,534)	(646)	-	-	(2,180)	(1,936)
At 31 March 2017	426,595	21,317	26,656	-	474,568	443,838
Depreciation						
At 1 April 2016	106,638	5,400	-	-	112,038	103,398
Provided during the year	9,974	344	-	-	10,318	9,396
On disposals	(840)	(49)	-	-	(889)	(756)
At 31 March 2017	115,772	5,695	-	-	121,467	112,038
Net book value at 31 March 2017	310,823	15,622	26,656	-	353,101	331,800
Net book value at 31 March 2016	284,285	16,238	31,277	-	331,800	

Development administration costs capitalised amounted to £498,632 (2016 - £390,612) for which Housing Association Grant amounting to nil (2016 - Nil) was received in the year.

Total works expenditure on housing properties amounted to £4,252,006 (2016 - £3,455,583) of which £2,639,766 was capitalised (2016 - £2,089,849) and £1,612,240 (2016 - £1,365,734) was expensed. Of the works capitalised, £2,639,766 (2016 – £2,089,849) were replacements and £nil (2016 – £nil) were improvements. Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2016 – nil).

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

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

12c. TANGIBLE FIXED ASSETS – INVESTMENT PROPERTIES**Investment property – Link Group Limited and Consolidated**

	2017	2016
	£'000	£'000
Balance at 1 April	9,000	9,000
Unrealised gain on revaluation	550	-
Balance at 31 March	<u>9,550</u>	<u>9,000</u>
Historic cost of investment properties	6,563	6,563
Accumulated depreciation	<u>(3,165)</u>	<u>(2,953)</u>
Historic cost net book value	<u>3,398</u>	<u>3,610</u>

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

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

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

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

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	2017 Total £'000	2016 Total £'000
Cost					
At 1 April 2016	9,675	2,031	177	11,883	11,832
Additions	10	112	94	216	355
Disposals	(3)	(417)	(28)	(448)	(304)
At 31 March 2017	9,682	1,726	243	11,651	11,883
Depreciation					
At 1 April 2016	1,773	973	74	2,820	2,686
Provided during the year	206	208	44	458	438
On disposals	-	(417)	(28)	(445)	(304)
At 31 March 2017	1,979	764	90	2,833	2,820
Net book value at 31 March 2017	7,703	962	153	8,818	9,063
Net book value at 31 March 2016	7,902	1,058	103	9,063	

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

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	2017 Total £'000	2016 Total £'000
Cost					
At 1 April 2016	8,152	1,103	18	9,273	9,334
Additions	-	103	-	103	186
Disposals	-	(417)	-	(417)	(247)
At 31 March 2017	8,152	789	18	8,959	9,273
Depreciation					
At 1 April 2016	1,509	696	17	2,222	2,138
Provided during the year	163	157	1	321	330
On disposals	-	(417)	-	(417)	(246)
At 31 March 2017	1,672	436	18	2,126	2,222
Net book value at 31 March 2017	6,480	353	-	6,833	7,051
Net book value at 31 March 2016	6,643	407	1	7,051	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

14. INVESTMENTS

Subsidiary Undertakings

Company	Authorised Share Capital	Share Capital	Issued Share Capital	Principal Activity
Link Housing Association Limited	100 £1 shares		£1	Management of social rented housing stock
Linkwide Limited	Limited by Guarantee		N/A	Development of Community Regeneration initiatives
LinkLiving Limited	Limited by Guarantee		N/A	Providing care and support to Link tenants and others
Link Property Limited	50,000 £1 shares		£50,000	Provision of maintenance services
Link Homes (2001) Limited	50,000 £1 shares		£50,000	Administration of Shared Equity schemes
Link Energy Limited	100 £1 shares		£1	General commercial activities relating to renewable energy projects
Larkfield Housing Association	N/A		N/A	A Registered Social Landlord, management of social rented housing stock.
Horizon Housing Association Limited	N/A		N/A	A Registered Social Landlord, management of social rented housing stock
West Highland Housing Association Limited	N/A		N/A	A Registered Social Landlord, management of social rented housing stock
Lintel Trust	Limited by Guarantee		N/A	Supporting Social Housing and Community Projects.

At 31 March 2017 Link Group Limited held 100% share capital of the subsidiary undertakings listed above, with the exception of Larkfield Housing Association, West Highland Housing Association, Horizon Housing Association and Lintel Trust where Link Group Limited has control of the appointment of the Board of Management.

The issued share capital of Link Property Limited, Link Homes (2001) Limited and Link Housing Association is shown at cost within Link Group Limited.

Link Energy Limited was incorporated on 10 November 2008 and has not traded up to the Balance Sheet date. The company is dormant and exempt from audit.

14. INVESTMENTS (continued)

At 31 March 2017 West Highland Housing Association Limited held 100% share capital of the following subsidiary undertakings:

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

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

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

	Shares in group undertakings 2017 £'000	Shares in group undertakings 2016 £'000
Cost		
As at 1 April 2016 and 31 March 2017	100	100

15. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
At 1 April 2016	4,938	2,542	4,925	2,530
Expenditure on development properties	4,478	3,646	4,311	3,645
Cost of disposals transferred to cost of sales	(3,191)	(1,250)	(3,190)	(1,250)
At 31 March 2017	6,225	4,938	6,046	4,925

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

16. DEBTORS

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Arrears of rent and service charges	1,415	1,278	1,024	909
Less: Payment plan adjustment	(68)	(92)	(61)	(87)
Less: provision for bad and doubtful debts	(542)	(410)	(383)	(278)
Net rental debtors	805	776	580	544
SHG receivable	4,244	4,625	4,083	3,995
Revenue grants receivable	80	42	-	-
Other debtors (less provision £125,685 2016 - £152,314)	3,524	2,899	470	171
Prepayments	684	464	348	301
Due from subsidiaries	-	-	3,061	3,813
	9,337	8,806	8,542	8,824

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

17. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Housing loans – current instalments due (Note 18)	1,028	1,086	-	97
Shared equity grants	7,429	8,120	3,309	3,994
Trade and other creditors	10,209	10,556	6,481	6,539
Taxation and social security	538	468	522	454
Pension contributions	102	116	102	116
Accruals	3,707	2,743	1,056	721
Housing Grants in advance	809	1,597	809	1,597
Rents in advance	867	812	652	583
Amounts owed to group undertakings	-	-	3,873	1,978
	24,689	25,498	16,804	16,079

Included in trade and other creditors is an amount of £775,000 (2016 - £775,000), representing a grant repayable to the Scottish Government. The amount repayable relates to grant aided flats, which were demolished following the discovery of serious structural defects. Link does not consider the grant repayment to be equitable and has made representations to the Scottish Government for further abatement, although in the accounts the full amount repayable has been provided.

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

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Loan Facilities	147,059	137,580	118,000	107,578

HOUSING LOANS

	Consolidated		Link Group Ltd	
Analysis of loan facilities	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Housing loans				
Fixed Rate				
Advanced by banks	55,536	55,756	43,000	43,000
Advanced by building societies	-	7,003	-	-
Advanced by private lenders	60,543	45,619	60,000	45,000
Variable Rate				
Advanced by banks	19,151	22,284	15,000	18,000
Advanced by building societies	12,857	8,004	-	1,675
	148,087	138,666	118,000	107,675

The group has loan facilities of £175.1m, of which £148.1m had been drawn down as at 31 March 2017 (2016 - £139.2m). The loan facilities are secured over a number of the Association's housing properties. The repayment terms vary between 3 and 29 years.

Interest on the loans was charged at interest rates between 0.64% and 13% (2016, between 0.5% and 13%)

Analysis of maturity of debt

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts repayable:				
In one year or less, or on demand	1,028	1,086	-	97
Between one and two years	9,004	1,065	8,000	99
Between two and five years	7,700	18,830	-	11,303
	17,732	20,981	8,000	11,499
In five years or more	130,355	117,685	110,000	96,176
	148,087	138,666	118,000	107,675

19. DEFERRED INCOME

Social Housing Grants	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Balance as at 1 April	224,454	211,130	187,477	175,801
Additions	14,647	19,135	12,848	16,701
Released/repaid as a result of property disposals	(711)	(474)	(661)	(538)
Amortised during year	(5,708)	(5,337)	(4,863)	(4,487)
Balance as at 31 March	232,682	224,454	194,801	187,477

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

20. PROVISION FOR LIABILITIES

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<i>Provision for pension liabilities</i>				
Balance as at 1 April	4,894	5,205	1,868	1,987
Prior year release of provision	(4,894)	-	(1,868)	-
Unwinding of the discount factor (interest expense)	-	110	-	42
Deficit contribution paid	-	(403)	-	(154)
Remeasurements - impact of any change in assumptions	-	(18)	-	(7)
Balance as at 31 March	-	4,894	-	1,868
<i>Provision for other liabilities</i>				
Balance at 1 April	-	429	-	-
Provision utilised	-	(70)	-	-
Provision released to the statement of comprehensive income	-	(359)	-	-
Balance as at 31 March	-	-	-	-
Total	-	4,894	-	1,868

Provision for pension liabilities

The 2016 pension provision related to Link Group's share of past service deficit liabilities within the Scottish Housing Association Pension Scheme (SHAPS). In 2016, insufficient information was available to account for the liability as a defined benefit scheme, and therefore the liabilities were calculated as a defined contribution scheme, in accordance with FRS102 paragraph 28.13A.

In 2017, Link Group engaged a firm of professional actuaries to calculate its share of the SHAPS liabilities as a defined benefits scheme. The actuary has developed a methodology to calculate Link's share of the scheme's assets and liabilities, based on information provided by the SHAPS administrator at scheme level and the deficit contributions payable by Link. As a result, it is now possible to account for Link's liabilities as a defined contribution scheme at 31 March 2017.

Provision for pension liabilities (continued)

This change in accounting estimate does not result in a prior year adjustment, however the provision for pension liabilities of £1,868,000 at 31 March 2016 has been released to the statement of comprehensive income. A new pension liability, amounting to £1,239,000, has been established in 2017 and is disclosed in detail at note 31

21. SHARE CAPITAL

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
Shares of £1 each fully paid and issued	No.	No.	No.	No.
At beginning of the year	441	546	162	165
Shares issued during the year	15	10	11	-
Shares surrendered during the year	(6)	(115)	(6)	(3)
At end of year	450	441	167	162

22. CAPITAL COMMITMENTS

At 31 March 2017 authorised and contracted commitments outstanding amounted to approximately £76.6m for Link Group Limited (2016 - £32.5m) and £77.6m for the group (2016 – £36.8m).

23. CONTINGENT LIABILITIES**Office Repairs**

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

Financial Guarantee

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

24. RELATED PARTIES

During the year and at March 2017 two tenants had served as Board Members. The tenancies of the Board Members were on normal commercial terms and neither of the tenants could use their position to their advantage. One Board Member is an elected Councillor and there were no transactions between Link and the local authority concerned during the year to March 2017.

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

25. OBLIGATIONS UNDER LEASES

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

	Consolidated		Link Group Ltd	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Operating leases which expire:				
Within one year	7	7	-	-
In two to five years	19	26	-	-
In over five years	-	-	-	-
	<u>26</u>	<u>33</u>	<u>-</u>	<u>-</u>

26. FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities include:	Consolidated		Link Group Ltd	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Assets measured at amortised cost	26,422	31,428	14,235	16,740
Liabilities measured at amortised cost	(21,985)	(22,003)	(15,343)	(13,802)
Loan commitments measured at cost less no impairment	(148,088)	(138,666)	(118,000)	(107,675)

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Surplus for the year	3,849	4,431	1,901	2,776
Depreciation of tangible fixed assets	13,016	12,148	10,641	9,726
Amortisation of intangible fixed assets	172	72	73	72
(Increase)/decrease in debtors	(912)	412	371	971
Increase in creditors	1,260	4,069	2,741	3,858
(Increase) in stock	(1,287)	(2,396)	(1,121)	(2,395)
Carrying amount of tangible fixed asset disposals	1,955	1,838	1,354	1,470
Negative goodwill on subsidiary acquisition	-	(124)	-	-
Proceeds from the sale of fixed assets	(1,831)	(2,406)	(1,462)	(2,160)
Government grants utilised in the year	(5,708)	(5,337)	(4,863)	(4,487)
Interest payable	6,458	6,086	5,481	5,059
Interest received	(46)	(96)	(4)	(51)
Movement in pension provision	(340)	(311)	(133)	(119)
Movement in provision for liabilities	-	(359)	-	-
Unrealised gain on revaluation of investment properties	(550)	-	(550)	-
Net cash inflow from operating activities	16,036	18,027	14,429	14,720

28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

	Consolidated		Link Group Ltd	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
(Decrease) / increase in cash in year	(6,332)	(1,699)	(2,176)	750
Cash flow from increase in liquid resources	1,015	-	-	-
Loan repaid	13,579	1,013	12,675	95
Cash received from new loans	(23,000)	(6,000)	(23,000)	(6,000)
Loans acquired under business combination	-	-	-	-
Change in net debt	(14,738)	(6,686)	(12,501)	(5,155)
Net debt at 1 April 2016	(115,580)	(108,894)	(99,458)	(94,303)
Net debt at 31 March 2017	(130,318)	(115,580)	(111,959)	(99,458)

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

29. ANALYSIS OF CHANGES IN FINANCING DURING THE CURRENT YEAR

	Link Group Ltd					
	As At 1 April 2016 £'000	Cash flows £'000	At 31 March 2017 £'000	As At 1 April 2016 £'000	Cash flows £'000	At 31 March 2017 £'000
Cash at bank and in hand	21,086	(6,332)	14,754	8,217	(2,176)	6,041
Term deposit	2,000	1,015	3,015	-	-	-
Debt due within one year	(1,086)	58	(1,028)	(97)	97	-
Debt due outwith one year	<u>(137,580)</u>	<u>(9,479)</u>	<u>(147,059)</u>	<u>(107,578)</u>	<u>(10,422)</u>	<u>(118,000)</u>
	<u>(115,580)</u>	<u>(14,738)</u>	<u>(130,318)</u>	<u>(99,458)</u>	<u>(12,501)</u>	<u>(111,959)</u>

30. BUSINESS COMBINATION

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

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

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

31. PENSIONS

Defined Contribution Scheme

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

As at the balance sheet date, there were 515 members of staff who were members of the Link group personal pension scheme (2016, 477), of whom 105 are employed by Link Group Limited (2016, 100). The assets of the scheme are administered by trustees in a fund independent of the Link Group. The total employer contributions for the year ended 31 March 2017 amounted to £934,066 (2016 £891,979), of which £331,977 was made in relation to Link Group Limited staff (2016 £338,238).

FRS102 Pension Disclosure for period ending 31/3/2017

Under UK pensions legislation, the Company is responsible for funding the Scheme's benefits and for paying contributions to make up any shortfall between the assets and the liabilities of the Scheme. The Scheme's liabilities are assessed at least every three years by the Scheme's actuary. It is the Company's funding policy to annually contribute an amount agreed between the Company and the Trustees of the Scheme in accordance with UK legislative requirements if a funding deficit exists. The amount of contributions required depends on the assumptions used by the actuary and can therefore be volatile between actuarial valuations. This volatility of contribution amounts can be to the detriment of the Company's cashflows and impacts on the P&L. The volatility of the Scheme's liabilities against the assets held impacts on the Company's balance sheet.

The last formal actuarial valuation of the SHAPS scheme was as at 30 September 2015.

The Scheme is a funded defined benefit arrangement.

All monetary figures are shown in £000s sterling.

No assets included in the fair value of plan assets are the entity's own financial instruments or are properties occupied or used by the entity.

Principal Actuarial Assumptions	31/03/2017	31/03/2016
Discount Rate	2.80%	3.80%
Salary Increases	3.30%	3.10%
Inflation (RPI)	3.30%	3.10%
Inflation (CPI)	2.30%	2.10%
Male Mortality	90% S1PMA; CMI 2011 F1.5%; Birth Year	90% S1PMA; CMI 2011 F1.5%; Birth Year
Female Mortality	90% S1PFA; CMI 2011 F1.25%; Birth Year	90% S1PFA; CMI 2011 F1.25%; Birth Year

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

Amounts Recognised in Statement of Financial Position	31/03/2017	31/03/2016
Fair Value of Scheme Assets	5,096	3,907
Present Value of Benefit Obligation	<u>(6,335)</u>	<u>(4,834)</u>
(Deficit) in the Scheme	(1,239)	(927)
Net Pension Asset/(Liability)	(1,239)	(927)
Amounts Recognised in Statement of Comprehensive Income	31/03/2017	31/03/2016
Current Service Cost	12	16
Administration Costs	5	5
Net Interest on Net Defined Benefit Obligation	32	41
Total Pension Cost Recognised in Statement of Comprehensive Income	49	62
Changes in Defined Benefit Obligation	31/03/2017	31/03/2016
Opening Defined Benefit Obligation	4,834	5,018
Employer Service Cost	12	16
Interest Expense	181	169
Employee Contributions	12	12
Actuarial Losses/(Gains)	1,454	(243)
Benefits Paid	(158)	(138)
Closing Defined Benefit Obligation	6,335	4,834
Change in Fair Value of Scheme Assets	31/03/2017	31/03/2016
Opening Fair Value of Scheme Assets	3,907	3,737
Actual Return on Scheme Assets less Interest Income	1,009	(5)
Interest Income	149	128
Employer Contributions	182	178
Employee Contributions	12	12
Benefits Paid	(158)	(138)
Administration Costs	(5)	(5)
Closing Fair Value of Scheme Assets	5,096	3,907

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

Other Comprehensive Income	31/03/2017	31/03/2016
	1,009	(5)
Actuarial gains / (losses)	(1,454)	243
Remeasurement gains and losses recognised in other comprehensive income	(445)	238

The major categories of Scheme assets as a percentage of total plan assets are as follows	31/03/2017	31/03/2016
Equities	35%	37%
Property	4%	5%
Bonds	35%	32%
Alternatives	24%	24%
Cash & Other	2%	2%
Total	100%	100%

32. MATERIAL ESTIMATES AND JUDGEMENTS

Valuation of Investment Property

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

Pension

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

Debtors

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