

LINK GROUP LIMITED



LINKGROUP

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

**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 2018

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LINK GROUP LIMITED

BOARD OF MANAGEMENT, DIRECTORS AND ADVISORS

BOARD OF MANAGEMENT

R Martin (Chairman) (appointed July 2017)	I Dickson
R Stirrat (resigned August 2017)	C Donaldson
J Hinton (resigned January 2018)	J Flaherty (appointed August 2017)
C Allan	D Mackie
P Biberbach	C Macneill (resigned August 2017)
M Catterall	H Sharp
A Colston	A Smith
A Diamond	D Wilson (resigned April 2018)

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 (resigned June 2018)
Interim Managing Director, Horizon Housing Association	I Gray (appointed June 2018)
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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LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the group financial statements for the year ended 31 March 2018. 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.

Each year a Strategy Day is held involving Group Board Members and chairs of the subsidiaries. Following these meetings the Board develops the business plan for the next five years and the 2017 plan included the agreed areas of strategic focus for the 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 conclusions reached at the 2017 Strategy day was that these objectives continue to form the basis of Link's 2018 business plan with added focus of improving efficiency and effectiveness of services and ensuring these not only represent value for money but are responsive to the needs of customers and communities.

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. As part of its commitment to ensuring continued development of efficient, quality services, Link has committed resources to support three major projects to improve Link's use of technology, delivery of local based services for customers and a re-design of Link's information systems.

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	89.5%	89.7%
Percentage of tenants who consider their landlord is good about keeping them informed about their services and outcomes	93.2%	91.1%
Percentage of tenants satisfied with the opportunities to participate in the landlord's decision making	90.1%	83.8%
Average hours to complete emergency repairs	2.6 hours	4.7 hours
Percentage of reactive repair appointments kept	98.6%	95.7%
Percentage of tenants satisfied with repairs service	97.8%	90.6%
Percentage of homes meeting the Scottish Housing Quality Standard	99%	93.6%
Number of Anti-Social Behaviour cases resolved within local targets	88.6%	87.2%
Gross rent arrears as a percentage of rent due	3.14%	5.3%
Rent collected for current and past rent expressed as a percentage of total rent due in the year	99.6%	99.6%
Percentage void rent loss	0.9%	0.9%

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 Group Limited is currently undertaking a major project called "Service First" which aims to decentralise a range of functions previously delivered by its Customer Service Centre to ensure that Link delivers local, responsive and quality services to meet customer's needs.

The Group Board reviews the performance of the other RSLs in the Link group on a quarterly basis and

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REPORT OF THE BOARD OF MANAGEMENT (continued)

Operating Performance (continued)

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 being 0.9% of rent due. A high degree of efficiency in the collection of rental income and to manage rent arrears was also achieved with the rent arrears ranging from 3% to 5% of rental income due. The SHR publishes an annual regulation plan for Link which covers the group and the 2018 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.

Link Housing Association (LHA) Limited 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 2018 Link achieved a surplus for the year of £4.1m and total comprehensive income of £4.4m (2017 £2.4m). Turnover increased by approximately 10.6% to £45m and operating costs increased by 6.1% to £37.3m. The income from social letting activities increased by 6.6% (increasing income by £2.2m) and this reflects rent increases applied in April 2017 and rents received from new build completions during the year.

Financial Performance (continued)

Turnover from other activities increased by £2.1m 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 £2.3m), an increase in gain on sale of properties with gross receipts increasing by £0.2m, offset by a reduction in shared equity and sales administration receipts of £0.3m.

Included in operating costs is the expenditure on wider role activities (£1.1m) and expenditure on reactive maintenance, planned and cyclical maintenance and major repairs, the cost of which was £9m in 2018 (2017, £9.2m) The total investment in 2018 on all maintenance activities was £12.1m (2017, £11.9m), £3.1m (2017, £2.6m) of which was treated as capital expenditure.

Link's surplus for the year increased by £2.2m from the 2017 position. The main reason was the increase in the Operating Surplus (from £6.2m in 2017 to £8.6m in 2018). There were a number of other movements including an increase in interest payable of £0.3m and a reduction in pension liability which increased the final position by £0.3m.

The overall total comprehensive income for the year of £4.4m was achieved after meeting interest payable and related finance costs of £5.8m, (2017 £5.5m) on loans borrowed to support new properties built and those in the course of construction. The results for 2018 were in line with the Board's expectations and exceeded Link's budget for 2017/18.

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 (ESSH) 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 £10.7m in 2018 (2017: £10.3m). The depreciation is offset by amortising the grants received to build the properties which results in a credit to income of £5.2m in 2018 (2017: £4.9m).

At 31 March 2018, Link's total reserves amounted to £64.1m, an increase of £4.4m from 2017. 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 2018 are also after recognising Link's pension liability to the Scottish Housing Association Pension scheme of £0.8m (2017: 1.2m).

The financial statements include the results of all Link subsidiaries and the Link Group surplus is shown on page 17. In the year to 31 March 2018 the consolidated surplus for the year was £6m (2017: £3.8m), based on overall group turnover of £67.1m (2017: £62.7m). The total comprehensive income for the year was £6.8m (2017: £5.3m). The total consolidated reserves amounted to £94m (2017: £87.3m) 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.

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REPORT OF THE BOARD OF MANAGEMENT (continued)

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 2018 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 £51.9m (2017: £32.9m) 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 £29.7m (2017: £12.8m) 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 2017/18, Link completed 239 properties (2017: 283) comprising 173 for social rent, 37 for New Supply Shared equity, 14 for another housing association and 15 properties to be let at mid-market rents.

Link increased its revolving credit facilities to £45m with three lenders. These facilities enable Link to finance the development programme and then, when the facilities are fully drawn, Link obtains long term finance so that the revolving credit facilities are once again available to finance the ongoing development programme. In late 2017 Link undertook a credit rating process using Standard and Poors. This resulted in Link being awarded an A+ rating (long term stable outlook). This investment grade rating will assist Link in accessing the capital markets for funding of around £180m over the next few years.

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 if necessary 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 2018, 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 2,808 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 235 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 £180m of new funding. Unless the financial outlook changes materially Link is confident that it will continue to be an attractive proposition to funders.

Welfare reform is a major challenge being faced by all social housing providers and Link continues to assess the potential impact as a high-risk area. As the changes will restrict benefits, including housing benefit, to claimants there are real concerns about the effect the changes will have on tenants' ability to meet their rent payments. Link has invested considerable time in evaluating and assessing the probable impact of the changes in terms of rent arrears and potential bad debts. It is confident that its arrears management policies and procedures will enable Link to cope with the challenge however the continued roll out of Universal Credit is causing considerable concern in terms of its impact on housing providers 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.

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REPORT OF THE BOARD OF MANAGEMENT (continued)

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 2018 stood at 13 Members (as at the date of this report, 12 Members). The Directors of Link (who are staff members) have no beneficial interest in its share capital and they act within the authority delegated by the Board of management.

Equality and Diversity

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

Employee Involvement

Link employed 638 staff (2017: 656) across the group on average throughout the year. 123 staff members (2017: 111) 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 21 August 2018.

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.

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REPORT OF THE BOARD OF MANAGEMENT (continued)

BY ORDER OF THE BOARD

I Dickson
Board Member

Date: 24 July 2018

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 coordinates 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 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 and Risk Committee.

Group Audit and Risk Committee

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

Development Committee

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

Remuneration Committee

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

Health & Safety

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

LINK GROUP LIMITED

BOARD 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 2018 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: 24 July 2018

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

LINK GROUP LIMITED

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

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have 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 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
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board 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). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

I Dickson
Board Member

Date: 24 July 2018

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

INDEPENDENT AUDITOR'S REPORT TO LINK GROUP LIMITED

Opinion

We have audited the financial statements of Link Group Limited ("the association") for the year ended 31 March 2018, which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position and Statement of Cash Flows for the year then ended and related notes, including the accounting policies set out in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2018 and of the income and expenditure of the group and the association;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The Group's Board is responsible for the other information, which comprises the Board's Annual Report, the Statement on Internal Financial Controls. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Controls on pages 11 to 13 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Controls is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO LINK GROUP LIMITED

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 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.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 14, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 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.

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 2018

	Notes	2018 £'000	2017 £'000
Turnover	2a	67,116	62,735
Operating expenditure	2a	(55,217)	(52,948)
Gain on revaluation of investment properties		780	550
Operating surplus	2a	12,679	10,337
Interest receivable		22	46
Interest and financing costs	6	(6,621)	(6,458)
Other finance charges		(82)	(80)
(Loss)/Gain on sale of non-housing assets		(2)	4
Surplus on ordinary activities before taxation		5,996	3,849
Taxation		-	-
Surplus for the year		5,996	3,849
Release of provision for pension liabilities		-	4,894
Remeasurement of the defined benefit pension liability		768	(3,453)
Total comprehensive income for the year		6,764	5,290

The results for the year relate wholly to continuing activities.

The notes on pages 24 to 58 form part of these accounts.

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Turnover	2b	45,084	40,753
Operating expenditure	2b	(37,289)	(35,145)
Gain on revaluation of investment properties		780	550
Operating surplus	2b	8,575	6,158
Interest receivable		2	4
Interest and financing costs	6	(5,759)	(5,481)
Other finance charges		(32)	(32)
Income from subsidiary undertakings		1,280	1,252
Surplus on ordinary activities before taxation		4,066	1,901
Taxation		-	-
Surplus for the year		4,066	1,901
Release of provision for pension liabilities		-	1,868
Remeasurement of the defined benefit pension liability		308	(1,372)
Total comprehensive income for the year		4,374	2,397

The results for the year relate wholly to continuing activities.

The notes on pages 24 to 58 form part of these accounts.

LINK GROUP LIMITED**STATEMENT OF CHANGES IN RESERVES AS AT 31 MARCH 2018****CONSOLIDATED STATEMENT OF CHANGES IN RESERVES**

	Revenue Reserve £'000	Restricted Reserve £'000	2018 Total £'000	2017 Total £'000
Balance as at 1 April 2017	87,226	54	87,280	81,990
Surplus from Statement of Comprehensive Income	5,992	35	6,027	3,849
Release of provision for pension liabilities	-	-	-	4,894
Remeasurement of the defined benefit pension liability	737	-	737	(3,453)
Balance as at 31 March 2018	<u>93,955</u>	<u>89</u>	<u>94,044</u>	<u>87,280</u>

LINK GROUP LIMITED STATEMENT OF CHANGES IN RESERVES

	Share Capital £'000	Revenue Reserve £'000	2018 Total £'000	2017 Total £'000
Balance as at 1 April 2017	-	59,719	59,719	57,322
Surplus from Statement of Comprehensive Income	-	4,066	4,066	1,901
Release of provision for pension liabilities	-	-	-	1,868
Remeasurement of the defined benefit pension liability	-	308	308	(1,372)
Balance as at 31 March 2018	<u>-</u>	<u>64,093</u>	<u>64,093</u>	<u>59,719</u>

The notes on pages 24 to 58 form part of these accounts.

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Intangible Assets	11a	343	449
Non-Current Assets			
Tangible fixed assets;			
Housing properties	12a	485,667	442,667
Investments - property	12c	10,330	9,550
Investments - other	14	1	8
Other fixed assets	13	9,383	8,818
		<u>505,724</u>	<u>461,043</u>
Current assets			
Work in progress & stocks	15	2,464	6,225
Trade and other debtors	16	7,007	9,337
Investments		2,025	3,015
Cash and cash equivalents		18,478	14,754
		<u>29,974</u>	<u>33,331</u>
Creditors: amounts falling due within one year	17	(40,995)	(24,689)
Net current (liabilities)/assets		<u>(11,021)</u>	<u>8,642</u>
Total assets less current liabilities		<u>494,703</u>	<u>470,134</u>
Creditors: amounts falling due after more than one year	18	(138,944)	(147,059)
Deferred income	19	(259,720)	(232,682)
Pension scheme liability	20,30	(1,995)	(3,113)
Net assets		<u>94,044</u>	<u>87,280</u>
Capital and reserves			
Restricted reserve		89	54
Revenue reserve		93,955	87,226
Total reserves		<u>94,044</u>	<u>87,280</u>

Approved and authorised for issue by the Board of Management on 24 July 2018 and signed on its behalf by:-

R Martin, Board Member

I Dickson, Board Member

J N Hall, Secretary

The notes on pages 24 to 58 form part of these accounts.

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Intangible Assets	11b	277	350
Non-Current Assets			
Tangible fixed assets;			
Housing properties	12b	392,098	353,101
Investments - property	12c	10,330	9,550
Other tangible fixed assets	13b	7,174	6,833
Intangible non-current assets			
Investments - other	14	100	100
		<u>409,702</u>	<u>369,584</u>
Current assets			
Work in progress	15	2,141	6,046
Trade and other debtors	16	8,776	8,542
Cash and cash equivalents		2,949	6,041
		<u>13,866</u>	<u>20,629</u>
Creditors: amounts falling due within one year	17	(30,135)	(16,804)
Net current (liabilities)/assets		<u>(16,269)</u>	<u>3,825</u>
Total assets less current liabilities		393,710	373,759
Creditors: amounts falling due after more than one year	18	(110,000)	(118,000)
Deferred income	19	(218,822)	(194,801)
Pension scheme liability	20,31	(795)	(1,239)
Total net assets		<u>64,093</u>	<u>59,719</u>
Capital and reserves			
Share capital		-	-
Revenue reserve		64,093	59,719
Total reserves		<u>64,093</u>	<u>59,719</u>

Approved and authorised for issue by the Board of Management on 24 July 2018 and signed on its behalf by:-

R Martin, Board Member

I Dickson, Board Member

J N Hall, Secretary

The notes on pages 24 to 58 form part of these accounts

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Net cash inflow generated from operating activities	27	20,873	16,036
Investing activities			
Acquisition and construction of properties		(56,719)	(39,141)
Purchase of other fixed assets		(1,035)	(327)
Purchase/(Disposal) of short term Investment		990	(1,051)
Proceeds on disposal of fixed assets		1,925	1,831
Grants received		34,952	13,813
Grants repaid		(619)	(711)
Interest received on cash and cash equivalents		22	46
Net cash outflow from investing activities		<u>(20,484)</u>	<u>(25,540)</u>
Financing activities			
Interest paid on loans		(6,617)	(6,249)
New loans		10,955	23,000
Loan principal repayments		(1,003)	(13,579)
Net cash inflow from financing activities		<u>3,335</u>	<u>3,172</u>
Increase/(Decrease) in cash		<u>3,724</u>	<u>(6,332)</u>
Opening cash and cash equivalents		<u>14,754</u>	<u>21,086</u>
Closing cash and cash equivalents		<u>18,478</u>	<u>14,754</u>

The notes on pages 24 to 58 form part of these accounts

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Net cash inflow generated from operating activities	27	11,353	14,429
Investing activities			
Acquisition and construction of properties		(50,052)	(33,880)
Purchase of other fixed assets		(650)	(127)
Proceeds on disposal of fixed assets		1,668	1,462
Grants received		30,877	11,544
Grants repaid		(535)	(661)
Interest received on cash and cash equivalents		2	4
Net cash outflow from investing activities		(18,690)	(21,658)
Financing activities			
Interest paid on loans		(5,755)	(5,272)
New loans		10,000	23,000
Loan principal repayments		-	(12,675)
Net cash inflow from financing activities		4,245	5,053
Decrease in cash		(3,092)	(2,176)
Opening cash and cash equivalents		6,041	8,217
Closing cash and cash equivalents		<u>2,949</u>	<u>6,041</u>

The notes on pages 24 to 58 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.

(b) Basis of consolidation

The group financial statements consolidate those of Link Group Limited and of its subsidiary undertakings drawn up to 31 March 2018. 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 other comprehensive income.

(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 "remeasurement of the defined benefit pension liability."

(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 2017/18, 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 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 2018 (continued)

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

	2018 Turnover	2018 Operating costs	2018 Operating surplus/ (deficit)	2017 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 3a)	47,484	(35,818)	11,666	9,955
Other activities (note 4a)	20,412	(19,399)	1,013	382
2018 Total	67,896	(55,217)	12,679	10,337
2017 Total	63,285	(52,948)	10,337	

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

	2018 Turnover	2018 Operating costs	2018 Operating surplus/ (deficit)	2017 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 3b)	35,750	(26,703)	9,047	7,313
Other activities (note 4b)	10,114	(10,586)	(472)	(1,155)
2018 Total	45,864	(37,289)	8,575	6,158
2017 Total	41,303	(35,145)	6,158	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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	2018 Total £'000	2017 Total £'000
Revenue from rent and service charges					
Rents receivable (net of service charges)	38,222	167	1,182	39,571	37,589
Service charges receivable	1,571	-	17	1,588	1,363
Gross income from rent and service charges	39,793	167	1,199	41,159	38,952
Less: rent losses from voids	(371)	(12)	(1)	(384)	(370)
Net income from rent and service charges	39,422	155	1,198	40,775	38,582
Revenue Grants					
Grants released from deferred income	5,735	71	285	6,091	5,708
Revenue grants from Scottish Ministers	207	-	-	207	197
Other revenue grants	411	-	-	411	553
Total turnover from affordable letting activities	45,775	226	1,483	47,484	45,040
Expenditure					
Management and maintenance administration costs	8,648	22	130	8,800	8,510
Service costs	1,632	2	8	1,642	1,614
Planned and cyclical maintenance & major repair costs	2,983	-	-	2,983	5,158
Reactive maintenance costs	8,320	8	-	8,328	6,492
Bad debts – rents & service charges	254	4	7	265	244
Depreciation of affordable let properties	13,058	89	370	13,517	12,557
Loss on disposal of components	283	-	-	283	510
Operating costs for affordable letting activities	35,178	125	515	35,818	35,085
Operating surplus for affordable lettings 2018	10,597	101	968	11,666	9,955
Operating surplus for affordable lettings 2017	8,885	77	993	9,955	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2017 - £nil). The cost of property components capitalised in the year was £4,636,144 (2017 - £4,538,804).

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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	2018 Total £'000	2017 Total £'000
Revenue from rent and service charges					
Rents receivable (net of service charges)	29,576	-	1,058	30,634	28,670
Service charges receivable	-	-	-	-	-
Gross income from rent and service charges	29,576	-	1,058	30,634	28,670
Less: rent losses from voids	(328)	-	(1)	(329)	(322)
Net income from rent and service charges	29,248	-	1,057	30,305	28,348
Revenue Grants					
Grants released from deferred income	4,868	47	255	5,170	4,863
Other income revenue grants	275	-	-	275	329
Total turnover from affordable letting activities	34,391	47	1,312	35,750	33,540
Expenditure					
Management and maintenance administration costs	6,253	9	112	6,374	6,265
Planned and cyclical maintenance & major repair costs	3,981	-	-	3,981	4,494
Reactive maintenance costs	5,001	-	-	5,001	4,737
Bad debts – rents & service charges	191	-	7	198	180
Depreciation of affordable let properties	10,356	48	337	10,741	10,318
Loss on disposal of components	408	-	-	408	233
Operating costs for affordable letting activities	26,190	57	456	26,703	26,227
Operating surplus / (deficit) for affordable lettings 2018	8,201	(10)	856	9,047	7,313
Operating surplus / (deficit) for affordable lettings 2017	6,406	(2)	909	7,313	

The cost of property components capitalised in the year was £3,586,204 (2017 - £2,639,766)

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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 2018 £'000	Operating costs Bad debts 2018 £'000	Other operating costs 2018 £'000	Operating surplus / (deficit) 2018 £'000	Operating surplus / (deficit) 2017 £'000
Wider role activities	112	179	-	112	403	-	(1,494)	(1,091)	(954)
Care and repair of property	234	170	-	21	425	-	(406)	19	31
Factoring	-	-	-	336	336	-	(542)	(206)	(270)
Development and construction of property activities	-	-	-	-	-	-	(508)	(508)	(700)
Support activities	-	190	1,956	2,175	4,321	-	(4,569)	(248)	(570)
Contracted out services undertaken for RSLs	-	-	-	186	186	-	(110)	76	1
Contracted out services undertaken for other organisations	-	-	-	3,802	3,802	-	(4,372)	(570)	(102)
Developments and improvements for sale to non-RSLs	-	-	-	4,263	4,263	-	(3,882)	381	42
Gain on revaluation of investment properties	-	-	-	780	780	-	-	780	550
Business & other development costs	-	-	-	-	-	-	(389)	(389)	(389)
Publicity and Promotion	-	-	-	-	-	-	(278)	(278)	(173)
Shared Equity Sales Administration	2,184	-	-	178	2,362	-	(1,245)	1,117	1,348
Investment property activities	-	-	-	881	881	-	(68)	813	801
Gain on sale of properties	-	-	-	1,925	1,925	-	(947)	978	385
Other activities	-	14	-	714	728	-	(589)	139	267
Provision for sundry bad debts	-	-	-	-	-	-	-	-	115
Total from other activities 2018	2,530	553	1,956	15,373	20,412	-	(19,399)	1,013	382
Total from other activities 2017	3,194	280	2,898	11,873	18,245	115	(17,978)	382	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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 2018 £'000	Operating costs 2018 £'000	Operating surplus / (deficit) 2018 £'000	Operating surplus / (deficit) 2017 £'000
Wider role activities	-	-	-	-	-	(1,051)	(1,051)	(910)
Care and repair of property	234	-	-	-	234	(234)	-	-
Investment property activities	-	-	-	881	881	(68)	813	801
Factoring	-	-	-	-	-	(48)	(48)	(40)
Development and construction of property activities	-	-	-	-	-	(508)	(508)	(700)
Care & support activities	-	-	-	-	-	(500)	(500)	(453)
Contracted out services undertaken for RSLs	-	-	-	252	252	(241)	11	-
Contracted out services undertaken for other organisations	-	-	-	1,869	1,869	(2,143)	(274)	(198)
Development and improvements for sale to non RSLs (incl. shared ownership 1 st tranches & shared equity sales)	-	-	-	4,263	4,263	(3,882)	381	42
Gain on revaluation of investment properties	-	-	-	780	780	-	780	550
Business & other development costs	-	-	-	-	-	(389)	(389)	(389)
Publicity and Promotion	-	-	-	-	-	(278)	(278)	(173)
Shared equity and sales administration	66	-	-	-	66	(409)	(343)	(165)
Gain on sale of properties	-	-	-	1,668	1,668	(835)	833	341
Other activities	-	14	-	87	101	-	101	139
Total from other activities 2018	300	14	-	9,800	10,114	(10,586)	(472)	(1,155)
Total from other activities 2017	635	12	-	7,116	7,763	(8,918)	(1,155)	

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

In the year to 31 March 2018 the consolidated Statement of Comprehensive Income included a gain on disposal of housing properties of £977,760 (2017: £385,665). Link Group Limited (parent) achieved a gain on disposal of housing properties of £833,053 compared to a gain in 2017 of £341,195. 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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Statement of comprehensive income – Loan interest	6,621	6,458	5,759	5,481
Net interest on Net Defined Benefit Obligation	51	80	32	32
	<u>6,672</u>	<u>6,538</u>	<u>5,791</u>	<u>5,513</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Emoluments (excluding pension contributions)	809	653	489	387
Total Emoluments	1,020	842	545	428

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

Emoluments (including pension contributions)	Consolidated		Link Group Ltd	
	2018 No.	2017 No.	2018 No.	2017 No.
£60,000 - £69,999	3	4	-	-
£70,000 - £79,999	-	1	-	-
£80,000 - £89,999	1	-	-	-
£90,000 - £99,999	1	2	-	1
£100,000 - £109,999	2	2	1	2
£110,000 - £119,999	-	1	-	-
£120,000 - £129,999	-	-	-	1
£130,000 - £139,999	1	-	1	-
£140,000 - £149,999	2	-	2	-
	10	10	4	4

The emoluments, excluding pension contributions, of the highest paid Director, who is the Chief Executive are £147,325 (2017, £110,011). 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 £17,240 (2017, £12,274).

The total emoluments of the Chief Executive for the year was £164,565 (2017, £122,285).

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Board of Management	8	5	6	4

8. EMPLOYEES

	Consolidated		Link Group Ltd	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Staff costs during the year:				
Wages and salaries	17,208	16,195	4,458	3,936
Social security costs	1,583	1,453	455	389
Other pension costs	1,194	1,102	388	332
	<u>19,985</u>	<u>18,750</u>	<u>5,301</u>	<u>4,657</u>

	Consolidated		Link Group Ltd	
	2018	2017	2018	2017
	No.	No.	No.	No.
The average number of persons employed during the year	638	656	123	111
The average number of full time equivalent persons employed during the year	585	570	117	104

9. AUDITOR'S REMUNERATION

	Consolidated		Link Group Ltd	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Audit of these financial statements	18	19	18	19
Audit of financial statements of subsidiaries	57	52	-	-
Taxation compliance services	10	11	4	2
	<u>85</u>	<u>82</u>	<u>22</u>	<u>21</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

10. HOUSING STOCK – LINK GROUP

Analysis of housing stock by accommodation type

	Units in management		Units under development	
	31 March 2018 Units	31 March 2017 Units	31 March 2018 Units	31 March 2017 Units
Link Group Limited				
Housing accommodation for letting	7,120	6,891	582	285
Shared bedspaces	593	531	-	-
Shared ownership accommodation	447	460	-	-
Larkfield Housing Association Limited				
Housing accommodation for letting	382	382	-	-
Horizon Housing Association				
Housing accommodation for letting	797	785	-	-
Shared ownership accommodation	28	29	-	-
Shared bedspaces	44	44	-	-
West Highland Housing Association Limited				
Housing accommodation for letting	787	762	-	-
Shared ownership accommodation	21	23	-	-
Rent to buy	50	50	-	-
Total units in management	10,269	9,957	582	427

Included in Link Group Limited above are 29 units currently out of management (2017 - 17) and excluded are 316 non-housing units (2017 - 344).

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

Organisation	31 March 2018 Units	31 March 2017 Units
Stirling University	84	85
Others	13	20
	<u>97</u>	<u>105</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

11a. INTANGIBLE ASSETS – CONSOLIDATED

	2018 Software in use £'000	2017 Software in use £'000
Cost		
At 1 April 2017	929	826
Additions	-	103
At 31 March 2018	<u>929</u>	<u>929</u>
Amortisation		
At 1 April 2017	480	308
Amortised during the year	106	172
At 31 March 2018	<u>586</u>	<u>480</u>
Net book value at 31 March 2018	<u>343</u>	<u>449</u>
Net book value at 31 March 2017	<u>449</u>	

11b. INTANGIBLE ASSETS – LINK GROUP LIMITED

	2018 Software in use £'000	2017 Software in use £'000
Cost		
At 1 April 2017	731	715
Additions	-	16
At 31 March 2018	<u>731</u>	<u>731</u>
Amortisation		
At 1 April 2017	381	308
Amortised during the year	73	73
At 31 March 2018	<u>454</u>	<u>381</u>
Net book value at 31 March 2018	<u>277</u>	<u>350</u>
Net book value at 31 March 2017	<u>350</u>	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

12a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – CONSOLIDATED

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	2018 Total £'000	2017 Total £'000
Cost					
At 1 April 2017	530,749	23,515	30,756	585,020	550,232
Additions	6,760	-	51,771	58,531	38,123
Transfers	29,421	-	(29,421)	-	-
Disposals - initial tranches	-	-	-	-	(33)
- other sales	(2,690)	(802)	(901)	(4,393)	(3,302)
At 31 March 2018	564,240	22,713	52,205	639,158	585,020
Depreciation					
At 1 April 2017	136,368	5,985	-	142,353	131,227
Provided during the year	12,736	370	-	13,106	12,557
On disposals	(1,861)	(107)	-	(1,968)	(1,431)
At 31 March 2018	147,243	6,248	-	153,491	142,353
Net book value at 31 March 2018	416,997	16,465	52,205	485,667	442,667
Net book value at 31 March 2017	394,381	17,530	30,756	442,667	

Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2017 – nil). Total works expenditure on housing properties amounted to £5,859,297 (2017 - £6,481,702) of which £4,179,030 (2017 - £4,538,804) was capitalised and £1,680,267 (2017 - £1,942,898) was expensed. Of the £4,536,144 (2017 - £4,538,804) works capitalised, £4,536,144 (2017 - £4,538,804) were replacements and £nil (2017 - £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 2018 (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	2018 Total £'000	2017 Total £'000
Cost					
At 1 April 2017	426,595	21,317	26,656	474,568	443,838
Additions	3,903	-	47,954	51,857	32,943
Transfers	25,188	-	(25,188)	-	-
Disposals - initial tranches	-	-	-	-	(33)
- other sales	(2,185)	(674)	(901)	(3,760)	(2,180)
At 31 March 2018	453,501	20,643	48,521	522,665	474,568
Depreciation					
At 1 April 2017	115,772	5,695	-	121,467	112,038
Provided during the year	10,409	332	-	10,741	10,318
On disposals	(1,586)	(55)	-	(1,641)	(889)
At 31 March 2018	124,595	5,972	-	130,567	121,467
Net book value at 31 March 2018	328,906	14,671	48,521	392,098	353,101
Net book value at 31 March 2017	310,823	15,622	26,656	353,101	

Development administration costs capitalised amounted to £883,982 (2017 - £498,632).

Total works expenditure on housing properties amounted to £4,166,883 (2017 - £4,252,006) of which £3,129,090 was capitalised (2017 - £2,639,766) and £1,037,793 (2017 - £1,612,240) was expensed. Of the works capitalised, £3,586,204 (2017 - £2,639,766) were replacements and £nil (2017 - £nil) were improvements. Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2017 - 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 2018 (continued)**

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

	2018	2017
	£'000	£'000
Balance at 1 April	9,550	9,000
Unrealised gain on revaluation	780	550
Balance at 31 March	<u>10,330</u>	<u>9,550</u>
Historic cost of investment properties	6,563	6,563
Accumulated depreciation	<u>(3,301)</u>	<u>(3,165)</u>
Historic cost net book value	<u>3,262</u>	<u>3,398</u>

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

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

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

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	2018 Total £'000	2017 Total £'000
Cost					
At 1 April 2017	9,682	1,726	243	11,651	11,883
Additions	438	666	-	1,104	216
Disposals	(1)	(117)	(22)	(140)	(448)
At 31 March 2018	10,119	2,275	221	12,615	11,651
Depreciation					
At 1 April 2017	1,979	764	90	2,833	2,820
Provided during the year	215	275	37	527	458
On disposals	-	(117)	(11)	(128)	(445)
At 31 March 2018	2,194	922	116	3,232	2,833
Net book value at 31 March 2018	7,925	1,353	105	9,383	8,818
Net book value at 31 March 2017	7,703	962	153	8,818	

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

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	2018 Total £'000	2017 Total £'000
Cost					
At 1 April 2017	8,152	789	18	8,959	9,273
Additions	438	281	-	719	103
Disposals	-	(50)	-	(50)	(417)
At 31 March 2018	8,590	1,020	18	9,628	8,959
Depreciation					
At 1 April 2017	1,672	436	18	2,126	2,222
Provided during the year	172	206	-	378	321
On disposals	-	(50)	-	(50)	(417)
At 31 March 2018	1,844	592	18	2,454	2,126
Net book value at 31 March 2018	6,746	428	-	7,174	6,833
Net book value at 31 March 2017	6,480	353	-	6,833	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (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 2018 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.

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

14. INVESTMENTS (continued)

At 31 March 2018 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 2018 £'000	Shares in group undertakings 2017 £'000
Cost		
As at 1 April 2017 and 31 March 2018	100	100

15. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April 2017	6,225	4,938	6,046	4,925
Expenditure on development properties	2,490	4,478	2,346	4,311
Cost of disposals transferred to cost of sales	(6,251)	(3,191)	(6,251)	(3,190)
At 31 March 2018	2,464	6,225	2,141	6,046

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

16. DEBTORS

	Consolidated		Link Group Ltd	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Arrears of rent and service charges	1,628	1,415	1,199	1,024
Less: Payment plan adjustment	(40)	(68)	(31)	(61)
Less: provision for bad and doubtful debts	(595)	(542)	(411)	(383)
Net rental debtors	993	805	757	580
SHG receivable	2,172	4,244	2,081	4,083
Revenue grants receivable	-	80	-	-
Other debtors (less provision £75,357 2017 - £125,685)	3,353	3,524	396	470
Prepayments	489	684	261	348
Due from subsidiaries	-	-	5,281	3,061
	7,007	9,337	8,776	8,542

The amount due from subsidiaries includes 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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Housing loans – current instalments due (Note 18)	19,095	1,028	18,000	-
Shared equity grants	3,297	7,429	1,058	3,309
Trade and other creditors	13,320	10,209	8,075	6,481
Taxation and social security	492	538	478	522
Pension contributions	144	102	145	102
Accruals	3,548	3,707	1,237	1,056
Housing Grants in advance	133	809	133	809
Rents in advance	966	867	651	652
Amounts owed to group undertakings	-	-	358	3,873
	40,995	24,689	30,135	16,804

Included in trade and other creditors is an amount of £775,000 (2017 - £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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loan Facilities	138,944	147,059	110,000	118,000

HOUSING LOANS

	Consolidated		Link Group Ltd	
Analysis of loan facilities	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Housing loans				
Fixed Rate				
Advanced by banks	55,318	55,536	43,000	43,000
Advanced by building societies	7,427	-	-	-
Advanced by private lenders	61,396	60,543	60,000	60,000
Variable Rate				
Advanced by banks	30,593	19,151	25,000	15,000
Advanced by building societies	3,305	12,857	-	-
	158,039	148,087	128,000	118,000

The group has loan facilities of £185.0m, of which £158m had been drawn down as at 31 March 2018 (2017 - £148.1m). 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 5.5% (2017, between 0.64% and 13%)

Analysis of maturity of debt

	Consolidated		Link Group Ltd	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts repayable:				
In one year or less, or on demand	19,095	1,028	18,000	-
Between one and two years	5,555	9,004	-	8,000
Between two and five years	3,362	7,700	-	-
	28,012	17,732	18,000	8,000
In five years or more	130,027	130,355	110,000	110,000
	158,039	148,087	128,000	118,000

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

19. DEFERRED INCOME

Social Housing Grants	Consolidated		Link Group Ltd	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Balance as at 1 April	232,682	224,454	194,801	187,477
Additions	33,732	14,647	29,726	12,848
Released/repaid as a result of property disposals	(619)	(711)	(535)	(661)
Amortised during year	(6,075)	(5,708)	(5,170)	(4,863)
Balance as at 31 March	259,720	232,682	218,822	194,801

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

20. PROVISION FOR LIABILITIES

Provision for pension liabilities

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 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 was possible to account for Link's liabilities as a defined contribution scheme at 31 March 2017.

The provision for pension liabilities of £1,868,000 at 31 March 2016 was released to the statement of comprehensive income. A new pension liability, amounting to £1,239,000, was established in 2017 and is disclosed in detail at note 30.

21. SHARE CAPITAL

Shares of £1 each fully paid and issued	Consolidated		Link Group Ltd	
	2018	2017	2018	2017
	No.	No.	No.	No.
At beginning of the year	450	441	167	162
Shares issued during the year	16	15	1	11
Shares surrendered during the year	(17)	(6)	(9)	(6)
At end of year	449	450	159	167

22. CAPITAL COMMITMENTS

At 31 March 2018 authorised and contracted commitments outstanding amounted to approximately £54.2m for Link Group Limited (2017 - £76.6m) and £56.2m for the group (2017 - £77.6m).

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 2018 one tenant had served as a Board Member, and the sister of one Board Member was also a tenant. These tenancies 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 any transactions between Link and the local authority concerned were on a normal commercial basis. One Board Member works for a supplier of services to Link Group, and again any transaction is on a normal commercial basis.

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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	-	7	-	-
In two to five years	58	19	9	-
In over five years	10	-	1	-
	<u>68</u>	<u>26</u>	<u>10</u>	<u>-</u>

26. FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities include:

	Consolidated		Link Group Ltd	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Assets measured at amortised cost	26,821	26,422	11,464	14,235
Liabilities measured at amortised cost	(20,061)	(21,985)	(11,351)	(15,343)
Loan commitments measured at cost less no impairment	(142,808)	(148,088)	(128,000)	(118,000)

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

	Consolidated		Link Group Ltd	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Surplus for the year	5,996	3,849	4,066	1,901
Depreciation of tangible fixed assets	13,633	13,016	11,119	10,641
Amortisation of intangible fixed assets	106	172	73	73
Decrease/(Increase) in debtors	259	(912)	(2,236)	371
(Decrease)/Increase in creditors	(2,789)	1,260	(5,696)	2,741
Decrease/(Increase) in stock	3,762	(1,287)	3,905	(1,121)
Carrying amount of tangible fixed asset disposals	2,437	1,955	2,119	1,354
Proceeds from the sale of fixed assets	(1,925)	(1,831)	(1,668)	(1,462)
Government grants utilised in the year	(6,075)	(5,708)	(5,170)	(4,863)
Interest payable	6,621	6,458	5,759	5,481
Interest received	(22)	(46)	(2)	(4)
Pension cost less contributions payable	(350)	(340)	(136)	(133)
Unrealised gain on revaluation of investment properties	(780)	(550)	(780)	(550)
Net cash inflow from operating activities	20,873	16,036	11,353	14,429

28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

	Consolidated		Link Group Ltd	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Increase/(decrease) in cash in year	3,724	(6,332)	(3,092)	(2,176)
Cash flow from changes in liquid resources	(990)	1,015	-	-
Loan repaid	1,003	13,579	-	12,675
Cash received from new loans	(10,955)	(23,000)	(10,000)	(23,000)
Change in net debt	(7,218)	(14,738)	(13,092)	(12,501)
Net debt at 1 April 2017	(130,318)	(115,580)	(111,959)	(99,458)
Net debt at 31 March 2018	(137,536)	(130,318)	(125,051)	(111,959)

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

29. ANALYSIS OF CHANGES IN FINANCING DURING THE CURRENT YEAR

	As At 1 April 2017 £'000	Cash flows £'000	At 31 March 2018 £'000	Link Group Ltd		
				As At 1 April 2017 £'000	Cash flows £'000	At 31 March 2018 £'000
Cash at bank and in hand	14,754	3,724	18,478	6,041	(3,092)	2,949
Term deposit	3,015	(990)	2,025	-	-	-
Debt due within one year	(1,028)	(18,067)	(19,095)	-	(18,000)	(18,000)
Debt due outwith one year	<u>(147,059)</u>	<u>8,115</u>	<u>(138,944)</u>	<u>(118,000)</u>	<u>8,000</u>	<u>(110,000)</u>
	<u>(130,318)</u>	<u>(7,218)</u>	<u>(137,536)</u>	<u>(111,959)</u>	<u>(13,092)</u>	<u>(125,051)</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

30. PENSIONS

30a. 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 528 members of staff who were members of the Link group personal pension scheme (2017, 515), of whom 116 are employed by Link Group Limited (2017, 105). 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 2018 amounted to £1,021,813 (2017 £934,066), of which £388,763 was made in relation to Link Group Limited staff (2017 £331,977).

30b. Defined Benefit Scheme

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

Link Group Limited closed this scheme to all staff in September 2013 and all employees were transferred to the Defined Contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions:

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

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

30b. Defined Benefit Scheme (continued)

FRS102 Pension Disclosure for period ended 31/3/2018

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 Statement of Comprehensive Income. 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.

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

30b. Defined Benefit Scheme (continued)

CONSOLIDATED

Principal Actuarial Assumptions	31/03/2018	31/03/2017
Discount Rate	2.70%	2.80%
Salary Increases	2.20%	3.30%
Inflation (RPI)	3.20%	3.30%
Inflation (CPI)	2.20%	2.30%
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
Amounts Recognised in Statement of Financial Position		
	31/03/2018	31/03/2017
Fair Value of Scheme Assets	13,424	13,024
Present Value of Benefit Obligation	<u>(15,419)</u>	<u>(16,137)</u>
Deficit in the Scheme	(1,995)	(3,113)
Net Pension Liability	(1,995)	(3,113)
Amounts Recognised in Statement of Comprehensive Income		
	31/03/2018	31/03/2017
Current Service Cost	14	12
Administration Costs	13	14
Net Interest on Net Defined Benefit Obligation	80	80
Total Pension Cost Recognised in Statement of Comprehensive Income	107	106
Changes in Defined Benefit Obligation		
	31/03/2018	31/03/2017
Opening Defined Benefit Obligation	16,137	12,317
Employer Service Cost	14	12
Interest Expense	446	460
Employee Contributions	13	12
Actuarial (Gains)/Losses	(751)	3,734
Benefits Paid	<u>(440)</u>	<u>(398)</u>
Closing Defined Benefit Obligation	15,419	16,137

30b. Defined Benefit Scheme (continued)

Change in Fair Value of Scheme Assets	31/03/2018	31/03/2017
Opening Fair Value of Scheme Assets	13,024	9,985
Actual Return on Scheme Assets less Interest Income	17	2,613
Interest Income	366	380
Employer Contributions	457	446
Employee Contributions	13	12
Benefits Paid	(440)	(398)
Administration Costs	(13)	(14)
Closing Fair Value of Scheme Assets	13,424	13,024

Other Comprehensive Income	31/03/2018	31/03/2017
Actual return on plan assets less interest income on plan assets	17	2,613
Actuarial gains/(losses)	751	(3,734)
Remeasurement losses and gains recognised in other comprehensive income	768	(1,112)

The major categories of Scheme assets as a percentage of total plan assets are as follows	31/03/2018	31/03/2017
Equities	18%	35%
Property	4%	4%
Bonds	44%	35%
Alternatives	32%	24%
Cash & Other	2%	2%
Total	100%	100%

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

30b. Defined Benefit Scheme (continued)

LINK GROUP LIMITED

Principal Actuarial Assumptions	31/03/2018	31/03/2017
Discount Rate	2.70%	2.80%
Salary Increases	2.20%	3.30%
Inflation (RPI)	3.20%	3.30%
Inflation (CPI)	2.20%	2.30%
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
Amounts Recognised in Statement of Financial Position	31/03/2018	31/03/2017
Fair Value of Scheme Assets	5,217	5,096
Present Value of Benefit Obligation	<u>(6,012)</u>	<u>(6,335)</u>
Deficit in the Scheme	(795)	(1,239)
Net Pension Liability	(795)	(1,239)
Amounts Recognised in Statement of Comprehensive Income	31/03/2018	31/03/2017
Current Service Cost	14	12
Administration Costs	5	5
Net Interest on Net Defined Benefit Obligation	32	32
Total Pension Cost Recognised in Statement of Comprehensive Income	51	49

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

30b. Defined Benefit Scheme (continued)

Changes in Defined Benefit Obligation	31/03/2018	31/03/2017
Opening Defined Benefit Obligation	6,335	4,834
Employer Service Cost	14	12
Interest Expense	175	181
Employee Contributions	13	12
Actuarial (Gains)/Losses	(354)	1,454
Benefits Paid	(171)	(158)
Closing Defined Benefit Obligation	6,012	6,335

Change in Fair Value of Scheme Assets	31/03/2018	31/03/2017
Opening Fair Value of Scheme Assets	5,096	3,907
Actual Return on Scheme Assets less Interest Income	(46)	1,009
Interest Income	143	149
Employer Contributions	187	182
Employee Contributions	13	12
Benefits Paid	(171)	(158)
Administration Costs	(5)	(5)
Closing Fair Value of Scheme Assets	5,217	5,096

Other Comprehensive Income	31/03/2018	31/03/2017
Annual return on plan assets less interest income on plan assets	(46)	1,009
Actuarial gains/(losses)	354	(1,454)
Remeasurement losses and gains recognised in other comprehensive income	308	(445)

The major categories of Scheme assets as a percentage of total plan assets are as follows	31/03/2018	31/03/2017
Equities	18%	35%
Property	4%	4%
Bonds	44%	35%
Alternatives	32%	24%
Cash & Other	2%	2%
Total	100%	100%

31. 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.