

**LINK GROUP LIMITED**



**LINKGROUP**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED**

**31 MARCH 2012**

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

## **LINK GROUP LIMITED**

### **REPORTS AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

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**LINK GROUP LIMITED**

**REPORT OF THE BOARD OF MANAGEMENT**

**BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS**

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**BOARD OF MANAGEMENT**

P Foreman (Chairman)	J Hinton
R Stirrat (Vice-Chairman)	J O'Neill
E Banks	C Macneill
A Colston	B Reidford
A Currie	R Robertson
C Donaldson	D Wilson
D Esslemont	

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**CHIEF EXECUTIVE AND DIRECTORS**

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

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**AUDITORS**

Scott-Moncrieff

**BANKERS**

Bank of Scotland

**SOLICITORS**

Burness Solicitors LLP

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**FUNDERS**

Royal Bank of Scotland

Lloyds Banking Group

Dunfermline Building Society

Santander Corporate Banking

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**REGISTERED OFFICE**

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Edinburgh  
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**WEB SITE**

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## **LINK GROUP LIMITED**

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

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The Board presents its report and the Group accounts for the year ended 31 March 2012.

#### **PRINCIPAL ACTIVITY**

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

#### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

##### **Financial Performance**

Link Group Limited (“Link” or the “Association”) achieved a surplus for the year of £3.2M (2011 £2M). The increase in the surplus was caused by the Prior Year Adjustment to the 2011 results required by the adoption of the change in accounting policy following the introduction of Component Accounting (see below) The 2011 results as originally published recorded a surplus of £3.1M but after the Prior Year adjustment of £1.1M this reduced the comparative figure to £2M.

Included in the 2012 surplus was an amount of £1.3M as an Exceptional Item, being the settlement in Link’s favour of a contractual dispute. This was achieved through a Mediation settlement and no further action will be pursued by Link. Interest Payable was higher in 2012 (£0.2M) reflecting additional borrowing to support Link’s development programme. In 2012 there was a lower volume of empty property sales as part of Link’s housing stock rationalisation strategy and Gains on Disposal of Properties reduced from the 2011 level of £0.75M to £0.22M.

Turnover and Operating Costs increased by approximately 10.5% and 6% to £25.9M and £21.7M, respectively, resulting in an increased Operating Surplus, of £4.2M. If the 2011 Operating Costs had not been re-stated the Operating Surplus would have been £3.7M, as originally reported in 2011. There was an increase in net rental income of £1.5M from the 2011 position and an increase of £0.6M in sales of shared equity properties and shared ownership properties.

These increases were offset by a reduction in Gift Aid from subsidiaries of £0.3M. What is also recorded as income to Link Group Limited is the income received for Wider Role Activities (£0.6M), which, prior to the change in the group structure, was previously recorded as subsidiary income. Included in Operating Costs is however increased expenditure on Wider Role Activities (£0.9M) and expenditure on Reactive Maintenance, Planned and Cyclical Maintenance and Major Repairs, the cost of which was £6.1M in 2012 (2011 re-stated, £9.3M) The total investment in 2012 on all maintenance activities was £9.7M, £3.6M of which was treated as capital expenditure under the new Component Accounting rules.

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

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

Despite the significant Planned Maintenance investment in its stock, Link is required by the Statement of Recommended Practice to depreciate its Housing Properties and Retained Surpluses are calculated after providing for Depreciation of £3.8M in 2012 (2011 re-stated, £3.1M)

## **LINK GROUP LIMITED**

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

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#### **Financial Performance (continued)**

At 31 March 2012 Link's total reserves amounted to £39.3M, an increase of £3.2M from the re-stated 2011 results. The increase in reserves is solely attributable to the Surplus achieved. In addition to providing funds for re-development, these reserves are required to support the planned maintenance investment programme (if required) and provide a hedge against risk. Included in the £39.3M of total reserves, the Designated Reserve for Future Maintenance amounted to £16.4M (2011, £16.4M).

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

In addition to the Open Market Shared Equity Pilot Link has developed and sold a number of shared equity properties under an initiative entitled "New Supply Shared Equity" With both these initiatives Link accounts for grants received from the Scottish Government as Creditors and grants paid to Shared Equity buyers as Debtors. The cumulative grants paid out to successful applicants amounted to £109.3M at 31 March 2012 (2011, £103.1M)

The consolidated results of the group reflect the results of Link's subsidiary companies, which includes two other Registered Social Landlords, Horizon Housing Association and Larkfield Housing Association. The total retained surplus of the group amounted to £3.9M (2011 restated, £2.9M). The Board welcomes the contribution by the subsidiaries.

#### **Component Accounting**

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment which is detailed at note 33.

The introduction of component accounting ensures the major components of the Association's housing stock are identified and depreciated over their estimated economic life. In practice it means that when properties are built the components which have a useful life of less than the building's structure of 50 years (e.g. kitchen, bathrooms) are capitalised and depreciated over a shorter time period. The cost of any subsequent replacement of a major component will be capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. This enables the financial statements to better reflect the use of the component over its life cycle. It will fairly reflect that certain components e.g. kitchens are replaced a number of times during the complete life of a building.

In the short to medium term component accounting can increase revenue surpluses as replacement items are now capitalised rather than written off as revenue costs in the year the costs are incurred. The corresponding impact is to increase the property depreciation charge to reflect the accelerated depreciation of components which have useful lives less than that of the building structure. Link's investment strategy with regard to all aspects of property maintenance remains exactly the same as before and the changes are in accounting presentation and do not affect the amount of investment which will be made.

#### **Investment and Financing**

During the year Link invested £26.4M (2011, £18.6M) in new properties for rent and sale on a shared ownership basis or shared equity basis across the central belt of Scotland and on replacement of building components. This expenditure was partly financed by Housing Association Grant (HAG) of £13.1M (2011, £9.7M) with the balance funded by income from property sales and loans drawn from Link's loan facilities.

## **LINK GROUP LIMITED**

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

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#### **Investment and Financing (continued)**

The increase in investment in new properties in 2012 reflected expenditure on the 193 properties which received grant approval in 2011/12 and expenditure on projects already on site in the course of construction. During 2011/12, Link completed 112 properties comprising 82 for Social Rent and 30 properties to be sold on a Shared Equity basis.

In January 2012 Link agreed terms with the Royal Bank of Scotland for a loan facility of £20M to replace another short term facility of £10M which was due to be repaid in May 2012. The Loan Agreement was signed off in March 2012 and the additional £10M facility is part of the £21M of unutilised facilities which are in place to finance the development programme in 2012/13.

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 2012, 51% of Link borrowings were subject to long-term fixed interest rates, with the remaining 49% mostly on short term variable rate loans. Link's Board agreed in May 2012 to place more loans on fixed rates and the proportion of loans on fixed rates amounted to 60% by the end of May 2012.

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

Link has a continuing, substantial investment programme. Its target is to complete approximately 150 properties per annum for rent and low cost home ownership/shared ownership/ shared equity over the 5-year business plan period 2012/13 to 2016/17.

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

Not only is continuing to provide social rented housing at low grant levels a significant hurdle, banks no longer provide long term loans to finance the properties. Whilst the banks continue to provide short term development funding this leaves RSLs with a challenge to identify alternative long term finance. There are a number of sources of institutional finance often providing long term fixed loans and index linked loans and Link is currently exploring these with the intention to draw down some of this funding over the next year or two.

#### **Operating Performance**

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

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

## **LINK GROUP LIMITED**

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

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#### **Operating Performance (continued)**

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

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

#### **Group Strategy**

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

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

#### **Group Structure**

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

Larkfield Housing Association and Horizon Housing Association (both of which also have charitable status) are the other Registered Social Landlords in the group. As RSL subsidiaries, Larkfield and Horizon have retained their assets, names and identities. Link has the power to appoint the majority of the Management Committee members and the circumstances where Link would exercise that power are dealt with in the Independence Agreement which governs the relationship between Link and these RSL subsidiaries.

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

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

## **LINK GROUP LIMITED**

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

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#### **Business Outlook**

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

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

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

#### **Board and Directors**

The Board consists of up to 15 members elected at the Annual General Meeting. Board members serve on various committees (as described in the Statement on Internal Financial Controls) set up to manage Link. Current membership of the Board is set out on page 1. Board membership at March 2012 (and at the date of this report) stood at 13 Members. Each Board Member holds one fully paid share of £1 in Link. The Directors of Link (who are staff members) have no beneficial interest in its share capital and they act within the authority delegated by the Board of Management.

#### **Equality and Diversity**

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

#### **Employee Involvement**

Link employed 458 staff across the group on average throughout the year. 87 staff are employed in Link Group Limited [this expanded number, compared to the 2011 total of 43, reflects the inclusion of additional staff from other areas of the group due to a group restructure in April 2011].

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 from the Chief Executive 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 [December 2011] and Healthy Working Lives Gold [May 2012].



**LINK GROUP LIMITED**

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

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**Basis of Preparation of Accounts**

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

**Auditors**

A resolution to re-appoint Scott-Moncrieff, as Auditors of the association will be proposed at the Annual General Meeting to be held on 13 September 2012.

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

- there is no relevant information of which Link's auditors are 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 auditors are aware of the information.

**BY ORDER OF THE BOARD**

J N Hall, FCCA  
Secretary

14 August 2012

## **LINK GROUP LIMITED**

### **BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS**

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#### **Internal Financial Control**

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

#### **Corporate Governance**

Link follows the Regulatory Code of Governance published by the Scottish Housing Regulator and has undertaken the Regulator's recommended self-assessment exercise over a series of Board meetings. A review of progress of compliance with the Regulatory Code was last carried out in 2009/10 and since then the Board continues to be satisfied that Link complies with the Regulatory Code of Governance. A new Regulatory Code is expected to be published in 2012/13 which Link will review and implement as appropriate.

#### **Management Structure**

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

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

#### **Policies**

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

#### **Procedures Manuals**

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

#### **Quality and Integrity of Personnel**

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

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

## **LINK GROUP LIMITED**

### **BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (Continued)**

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#### **Identification of Business Risks**

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

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

#### **Management Information Systems**

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

#### **Internal Control Systems**

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

#### **Internal Audit**

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

#### **Audit and Risk Committee**

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

#### **Appeals Committee**

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

#### **Health & Safety**

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

#### **Statement**

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

## **LINK GROUP LIMITED**

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

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

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

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

## **LINK GROUP LIMITED**

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

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We have audited the financial statements of Link Group Limited , (the Association), and the consolidated financial statements of the Associations and its subsidiaries for the year ended 31 March 2012 which comprise the consolidated income and expenditure account, Link Group income and expenditure account, consolidated balance sheet, Link Group balance sheet, consolidated cash flow statement, Link Group cashflow and related notes. The financial reporting framework that has been applied is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting by Registered Social Housing Providers issued in 2010.

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

#### **Respective responsibilities of board of management and auditors**

As explained more fully in the Board of Management Responsibilities statement set out on page 10, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).

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

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

#### **Opinion on financial statements**

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group and the Association's affairs as at 31 March 2012 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting by Registered Social Providers issued in 2010;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 the Housing ( Scotland ) Act 2010 and the Registered Social Landlords Accounting Requirements ( Scotland ) Order 2007.

## **LINK GROUP LIMITED**

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

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

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

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

#### **Corporate Governance Matters**

In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 7 to 9 on the Association's compliance with the guidance given in Raising Standards in Housing published by the Scottish Federation of Housing Associations.

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

#### **Opinion**

With respect of the Board's statement on internal financial control on pages 8 to 9, in our opinion the Board has provided the disclosures required by Raising Standards in Housing and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

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

14 August 2012

**LINK GROUP LIMITED**

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 MARCH 2012**

	Notes	2012 £'000	Restated 2011 £'000
<b>Turnover</b>	3a	38,018	34,127
<b>Less: Operating Costs</b>	3a	<u>(32,475)</u>	<u>(30,060)</u>
<b>Operating Surplus</b>	3a	<u>5,543</u>	<u>4,067</u>
Interest receivable		23	15
Interest payable	7	(3,165)	(2,958)
Gain on Disposal of Properties		224	770
Exceptional Items	34	<u>1,321</u>	<u>1,000</u>
<b>Surplus for the year before taxation</b>		3,946	2,894
Corporation Tax	11	<u>-</u>	<u>(16)</u>
<b>Surplus for the year after taxation</b>		<u><u>3,946</u></u>	<u><u>2,878</u></u>

The results for the year relate wholly to continuing activities.

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2012**

	2012 £'000	2011 £'000
Surplus for the year	3,946	<u>2,878</u>
Prior year adjustment	<u>699</u>	
	<u><u>4,645</u></u>	

The notes on pages 19 to 45 form part of these accounts.

**LINK GROUP LIMITED**

**LINK GROUP LIMITED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 MARCH 2012**

	Notes	2012 £'000	Restated 2011 £'000
<b>Turnover</b>	3b	25,910	23,441
<b>Less: Operating Costs</b>	3b	<u>(21,721)</u>	<u>(20,847)</u>
<b>Operating Surplus</b>	3b	<u>4,189</u>	<u>2,594</u>
Interest receivable		71	47
Interest payable	7	(2,609)	(2,400)
Gain on Disposal of Properties	6	224	749
Exceptional Items	34	<u>1,321</u>	<u>1,000</u>
<b>Surplus for the year</b>		<u><u>3,196</u></u>	<u><u>1,990</u></u>

The results for the year relate wholly to continuing activities.

**LINK GROUP LIMITED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2012**

	2012 £'000	2011 £'000
Surplus for the year	3,196	<u>1,990</u>
Prior year adjustment	<u>(413)</u>	
	<u><u>2,783</u></u>	

The notes on pages 19 to 45 form part of these accounts.



**LINK GROUP LIMITED**

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2012**

	Notes	2012 £'000	Restated 2011 £'000
<b>Tangible Fixed Assets</b>			
Housing Properties - Depreciated Cost	13a	368,009	345,729
Less: Social Housing Grants	13a	(247,687)	(234,729)
Other Public Grants	13a	(2,534)	(2,419)
		<u>117,788</u>	<u>108,581</u>
Other Fixed Assets	14a	8,064	8,140
		<u>125,852</u>	<u>116,721</u>
<b>Current Assets</b>			
Work in Progress	16	2,641	2,149
Debtors	17	114,944	107,196
Cash at bank and in hand		10,451	10,241
		<u>128,036</u>	<u>119,586</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(127,364)</u>	<u>(113,801)</u>
<b>Net Current Assets</b>		<u>672</u>	<u>5,785</u>
<b>Total Assets Less Current Liabilities</b>		126,524	122,506
<b>Creditors: amounts falling due after more than one year</b>	19	<u>(82,047)</u>	<u>(81,975)</u>
<b>Net Assets</b>		<u>44,477</u>	<u>40,531</u>
<b>Capital and Reserves</b>			
Share Capital	20	-	-
Designated Reserve	21	16,928	16,908
Restricted Reserve	22	-	-
Negative Goodwill	23	876	876
Revenue Reserve	24a	26,673	22,747
		<u>44,477</u>	<u>40,531</u>

Authorised for issue by the Board of Management on 14 August 2012 and signed on its behalf by:-

E Banks, Board Member

P Foreman, Board Member

J N Hall, Secretary

The notes on pages 19 to 45 form part of these accounts.

**LINK GROUP LIMITED**

**LINK GROUP LIMITED BALANCE SHEET AS AT 31 MARCH 2012**

	Notes	2012 £'000	Restated 2011 £'000
<b>Tangible Fixed Assets</b>			
Housing Properties - Depreciated Cost	13b	302,677	280,705
Less: Social Housing Grants	13b	(202,643)	(189,915)
Other Public Grants	13b	(2,534)	(2,419)
		<u>97,500</u>	<u>88,371</u>
Other Fixed Assets	14b	7,402	7,436
Investments	15	50	50
		<u>104,952</u>	<u>95,857</u>
<b>Current Assets</b>			
Work In Progress	16	2,635	1,626
Debtors	17	14,280	12,065
Cash at bank and in hand		3,943	5,660
		<u>20,858</u>	<u>19,351</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(22,108)</u>	<u>(12,337)</u>
<b>Net (Liabilities)/Current Assets</b>		<u>(1,250)</u>	<u>7,014</u>
<b>Total Assets Less Current Liabilities</b>		103,702	102,871
<b>Creditors: amounts falling due after more than one year</b>	19	<u>(64,391)</u>	<u>(66,756)</u>
<b>Net Assets</b>		<u>39,311</u>	<u>36,115</u>
<b>Capital and Reserves</b>			
Share Capital	20	-	-
Designated Reserve	21	16,396	16,396
Negative Goodwill	23	876	876
Revenue Reserve	24b	22,039	18,843
		<u>39,311</u>	<u>36,115</u>

Authorised for issue by the Board of Management on 14 August 2012 and signed on its behalf by:-

E Banks, Board Member

P Foreman, Board Member

J N Hall, Secretary

The notes on pages 19 to 45 form part of these accounts

**LINK GROUP LIMITED****CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012**

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	<b>Notes</b>	<b>2012 £'000</b>	<b>Restated 2011 £'000</b>
<b>Net cash inflow from operating activities</b>	28	8,851	4,720
<b>Returns on investments and servicing of finance</b>	29a	(3,138)	(2,903)
<b>Taxation</b>		-	-
<b>Capital expenditure</b>	29b	(11,665)	(11,878)
		<hr/>	<hr/>
<b>Cash (outflow) before use of liquid resources and financing</b>		(5,952)	(10,061)
<b>Financing</b>	29c	<hr/> 6,162	<hr/> 10,506
<b>Increase in cash</b>		<hr/> <hr/> 210	<hr/> <hr/> 445

**LINK GROUP LIMITED****LINK GROUP LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012**

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	<b>Notes</b>	<b>2012 £'000</b>	<b>Restated 2011 £'000</b>
<b>Net cash inflow from operating activities</b>	28	9,785	1,268
<b>Returns on investments and servicing of finance</b>	29a	(2,534)	(2,312)
<b>Taxation</b>		-	-
<b>Capital expenditure</b>	29b	(12,601)	(7,865)
		<hr/>	<hr/>
<b>Cash (outflow) before use of liquid resources and financing</b>		(5,350)	(8,909)
<b>Financing</b>	29c	3,633	10,936
		<hr/>	<hr/>
<b>(Decrease)/Increase in cash</b>		<u>(1,717)</u>	<u>2,027</u>

**1. ACCOUNTING POLICIES**

**(a) Introduction and accounting basis**

Link Group Limited is incorporated under the Industrial and Provident Societies Act 1965 and is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The accounts are prepared under the historical cost convention and on a going concern basis, in accordance with applicable accounting standards and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers 2010.

**(b) Basis of Consolidation & Going Concern**

The group financial statements consolidate those of Link Group Limited and of its subsidiary undertakings drawn up to 31 March 2012. Profits or losses on intra-group transaction are eliminated in full. The Board of Management anticipate that a surplus will be generated in the year to 31 March 2013. The Group has healthy cash funds and thus the Board of Management are satisfied that there are sufficient resources in place to continue operating in the foreseeable future. On this basis, the Board of Management continue to adopt the going concern basis.

**(c) Investments**

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.

**(d) Tangible Fixed Assets - housing land and buildings**

Housing properties are stated at 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.

**(e) Grants**

*Capital Grants*

Housing Association Grant (HAG) is paid by The Scottish Government to Registered Social Landlords and is utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by The Scottish Government. HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Other capital grants are shown, as is HAG, on the face of the balance sheet as the cumulative gross amount received and as a deduction from the fixed assets to which they relate.

*Revenue Grants*

Grants received for affordable housing for sale projects are credited against work in progress and therefore cost of sales is stated net of grants received.

Grants received for Shared Equity initiatives are included in creditors and the grants made to successful Shared Equity applicants are included in debtors.

**(f) Mortgages**

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

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012(continued)

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#### 1. ACCOUNTING POLICIES (continued)

##### (g) Depreciation

###### *Housing land and buildings*

Properties are stated at historical cost, less social housing and other public grants and 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 years	Boilers – over 12 years

###### *Other fixed assets*

Expenditure incurred on 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.

##### (h) Work In Progress

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

##### (i) Designated Future Maintenance Reserve

The reserve exists to fund future planned and cyclical maintenance and major repairs to the Group's housing stock, the cost of which will not be funded by grant. The Group has a policy of maintaining its housing stock to a high standard and the transfer to the reserve has been determined in accordance with a comprehensive planned maintenance programme. Actual costs incurred are charged in the Income and Expenditure Account. Transfers from the reserve to the Income and Expenditure Account are made to cover the annual expenditure incurred.

##### (j) 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.

##### (k) Pension Costs

The Association participates in two pension schemes, a defined benefit pension scheme and a group personal pension scheme (a defined contribution scheme). The Association's contributions for 2011/2012 under the schemes have been fully charged to the Income and Expenditure Account.

###### *Defined Contribution Scheme*

The pension costs charged to the Income and Expenditure Account represent the amount of the contributions payable to the scheme in respect of the accounting period.

**1. ACCOUNTING POLICIES (continued)**

*Defined Benefit Scheme*

The pension costs charged to the Income and Expenditure Account are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll.

**(l) VAT**

The Group has Group registration for VAT purposes. A large proportion of the Group's income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. For 2011/2012, 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.

**(m) Lease Obligations**

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

**2. 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.

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

**3a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) – CONSOLIDATED**

	<b>Turnover</b>	<b>Operating</b>	<b>Operating</b>	<b>Turnover</b>	<b>Restated</b>	<b>Restated</b>
	<b>2012</b>	<b>Costs</b>	<b>Surplus/</b>	<b>2011</b>	<b>Operating</b>	<b>Operating</b>
	<b>£'000</b>	<b>2012</b>	<b>(Deficit)</b>	<b>£'000</b>	<b>Costs</b>	<b>Surplus/</b>
		<b>£'000</b>	<b>2012</b>		<b>2011</b>	<b>(Deficit)</b>
			<b>£'000</b>		<b>£'000</b>	<b>2011</b>
						<b>£'000</b>
Social Lettings (note 4a)	27,501	(19,616)	7,885	25,611	(20,102)	5,509
Other Activities (note 5a)	10,517	(12,859)	(2,342)	8,516	(9,958)	(1,442)
	<u>38,018</u>	<u>(32,475)</u>	<u>5,543</u>	<u>34,127</u>	<u>(30,060)</u>	<u>4,067</u>

**3b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS/(DEFICIT) – LINK GROUP LIMITED**

	<b>Turnover</b>	<b>Operating</b>	<b>Operating</b>	<b>Turnover</b>	<b>Restated</b>	<b>Restated</b>
	<b>2012</b>	<b>Costs</b>	<b>Surplus/</b>	<b>2011</b>	<b>Operating</b>	<b>Operating</b>
	<b>£'000</b>	<b>2012</b>	<b>(Deficit)</b>	<b>£'000</b>	<b>Costs</b>	<b>Surplus/</b>
		<b>£'000</b>	<b>2012</b>		<b>2011</b>	<b>(Deficit)</b>
			<b>£'000</b>		<b>£'000</b>	<b>2011</b>
						<b>£'000</b>
Social Lettings (note 4b)	21,760	(15,244)	6,516	20,123	(15,971)	4,152
Other Activities (note 5b)	4,150	(6,477)	(2,327)	3,318	(4,876)	(1,558)
	<u>25,910</u>	<u>(21,721)</u>	<u>4,189</u>	<u>23,441</u>	<u>(20,847)</u>	<u>2,594</u>



LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

4a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTING ACTIVITIES – CONSOLIDATED

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership Housing £'000	2012 Total £'000	Restated 2011 Total £'000
<b>Income from rent and service charges</b>					
Rents receivable net of service charges	25,006	94	1,014	26,114	24,170
Service charges	1,341	-	13	1,354	1,310
<b>Gross income from rent and service charges</b>	<b>26,347</b>	<b>94</b>	<b>1,027</b>	<b>27,468</b>	<b>25,480</b>
Less: Rent losses from voids	(209)	-	-	(209)	(220)
<b>Net income from rent and service charges</b>	<b>26,138</b>	<b>94</b>	<b>1,027</b>	<b>27,259</b>	<b>25,260</b>
Other revenue grants	242	-	-	242	230
Other income	-	-	-	-	121
	-	-	-	-	-
<b>Total turnover from social letting activities</b>	<b>26,380</b>	<b>94</b>	<b>1,027</b>	<b>27,501</b>	<b>25,611</b>
<b>Expenditure</b>					
Management & maintenance administration costs	6,033	17	149	6,199	4,661
Service Charges	1,534	-	7	1,541	1,429
Planned & cyclical maintenance & Major Repairs	3,576	-	-	3,576	6,251
Reactive maintenance costs	3,505	17	3	3,525	3,981
Bad Debts – rents & service charges	195	3	6	204	208
Depreciation of Social Housing	4,450	5	116	4,571	3,572
<b>Operating costs for social letting activities</b>	<b>19,293</b>	<b>42</b>	<b>281</b>	<b>19,616</b>	<b>20,102</b>
<b>Operating Surplus / (Deficit) for social lettings 2012</b>	<b>7,087</b>	<b>52</b>	<b>746</b>	<b>7,885</b>	<b>5,509</b>
<b>Operating Surplus / (Deficit) for social lettings 2011 restated</b>	<b>4,699</b>	<b>64</b>	<b>746</b>	<b>5,509</b>	

The cost of property components capitalised in the year was £4,244,552 (2011 restated - £1,187,619)

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

4b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTINGS - LINK GROUP LIMITED

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership Accommodation £'000	2012 Total £'000	Restated 2011 Total £'000
<b>Income from rent and service charges</b>					
Rents receivable net of service charges	20,680	35	985	21,700	20,171
Service charges	-	-	-	-	-
<b>Gross income from rent and service charges</b>	20,680	35	985	21,700	20,171
Less: Rent losses from voids	(182)	-	-	(182)	(204)
<b>Net income from rent and service charges</b>	20,498	35	985	21,518	19,967
Other revenue grants	242	-	-	242	156
<b>Total turnover from social letting activities</b>	20,740	35	985	21,760	20,123
<b>Expenditure</b>					
Management & maintenance administration costs	5,053	4	143	5,200	3,406
Planned & cyclical maintenance & Major Repairs	3,213	-	-	3,213	5,966
Reactive maintenance costs	2,859	-	-	2,859	3,336
Bad Debts – rents & service charges	133	3	4	140	182
Depreciation of Social Housing	3,717	3	112	3,832	3,081
<b>Operating costs for social letting activities</b>	14,975	10	259	15,244	15,971
<b>Operating Surplus / (Deficit) for social lettings 2012</b>	5,765	25	726	6,516	4,152
<b>Operating Surplus / (Deficit) for social lettings 2011 restated</b>	3,458	27	667	4,152	

The cost of property components capitalised in the year was £3,576,949 (2011 restated - £172,082)

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

5a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES – CONSOLIDATED

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover 2012 £'000	Operating Costs 2012 £'000	Operating Surplus / (Deficit) 2012 £'000	Total Turnover 2011 £'000	Operating Costs 2011 £'000	Operating Surplus / (Deficit) 2011 £'000
Wider role activities	622	21	-	-	643	(993)	(350)	548	(951)	(403)
Care and Repair of Property	-	181	-	-	181	(181)	-	173	(173)	-
Factoring	-	-	-	217	217	(207)	10	82	(158)	(76)
Development and construction of property activities	-	-	-	-	-	(1,005)	(1,005)	-	(468)	(468)
Care & Support activities	-	55	2,903	739	3,697	(3,959)	(262)	3,639	(3,868)	(229)
Agency/management services for RSLs	-	11	-	2	13	(11)	2	45	(7)	38
Other agency / management services	-	16	-	2,637	2,653	(2,653)	-	1,599	(1,377)	222
Development and improvements for sale to non RSLs (incl. shared ownership 1 <sup>st</sup> tranches & shared equity sales)	-	-	-	2,663	2,663	(2,617)	46	1,574	(1,582)	(8)
Business & other development costs	-	-	-	-	-	(619)	(619)	-	(635)	(635)
Publicity and Promotion	-	-	-	-	-	(189)	(189)	-	(132)	(132)
Shared Equity and Sales Administration	137	-	-	147	284	(306)	(22)	712	(512)	200
Stage 3 Adaptations	97	-	-	-	97	(115)	(18)	88	(90)	(2)
Other Activities	-	-	-	69	69	(4)	65	56	(5)	51
<b>Total from Other Activities 2012</b>	<b>856</b>	<b>284</b>	<b>2,903</b>	<b>6,474</b>	<b>10,517</b>	<b>(12,859)</b>	<b>(2,342)</b>	<b>8,516</b>	<b>(9,958)</b>	<b>(1,442)</b>
<b>Total from Other Activities 2011</b>	<b>721</b>	<b>1,114</b>	<b>2,508</b>	<b>4,173</b>	<b>8,516</b>	<b>(9,958)</b>	<b>(1,442)</b>			

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

5b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES – LINK GROUP LIMITED

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover 2012 £'000	Operating Costs 2012 £'000	Operating Surplus / (Deficit) 2012 £'000	Total Turnover 2011 £'000	Operating Costs 2011 £'000	Operating Surplus / (Deficit) 2011 £'000
Wider role activities	532	21	-	-	553	(903)	(350)	-	(403)	(403)
Factoring	-	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	(997)	(997)	-	(468)	(468)
Care & Support activities	-	-	-	-	-	(317)	(317)	-	(331)	(331)
Agency/management services for RSLs	-	-	-	53	53	(53)	-	43	(36)	7
Other agency / management services	-	-	-	1,324	1,324	(1,324)	-	1,328	(1,317)	11
Development and improvements for sale to non RSLs (incl. shared ownership 1 <sup>st</sup> tranches & shared equity sales)	-	-	-	2,133	2,133	(2,097)	36	1,557	(1,570)	(13)
Gift Aid from subsidiaries	-	-	-	28	28	-	28	341	-	341
Business & other development costs	-	-	-	-	-	(547)	(547)	-	(568)	(568)
Publicity and Promotion	-	-	-	-	-	(189)	(189)	-	(131)	(131)
Shared Equity and Sales Administration	-	-	-	-	-	(50)	(50)	-	(52)	(52)
Other Activities	-	-	-	59	59	-	59	49	-	49
<b>Total from Other Activities 2012</b>	<b>532</b>	<b>21</b>	<b>-</b>	<b>3,597</b>	<b>4,150</b>	<b>(6,477)</b>	<b>(2,327)</b>	<b>3,318</b>	<b>(4,876)</b>	<b>(1,558)</b>
<b>Total from Other Activities 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,318</b>	<b>3,318</b>	<b>(4,876)</b>	<b>(1,558)</b>			

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

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#### 6. GAIN ON DISPOSAL OF FIXED ASSETS

In the year to 31 March 2012 Link Group Limited achieved a gain on disposal of fixed assets of £224,273 compared to a gain in 2011 of £748,597. During the year, Link continued to sell properties under the Right to Buy legislation and also the onward sale of Shared ownership tranches.

#### 7. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable in the year has been charged as follows:-

	Consolidated		Link Group Ltd	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Income and Expenditure Account – Loan Interest	3,165	2,958	2,609	2,400
Capitalised in work in progress	-	-	-	-
	<u>3,165</u>	<u>2,958</u>	<u>2,609</u>	<u>2,400</u>

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)****8. DIRECTORS' AND BOARD MEMBERS' EMOLUMENTS**

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

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Emoluments (including pension contributions)	518	597	380	340

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

<b>Emoluments (excluding pension contributions)</b>	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£60,000 - £69,999	1	2	1	1
£70,000 - £79,999	1	2	1	2
£80,000 - £89,999	2	-	2	-
£90,000 - £99,999	1	1	1	1
	5	5	5	4

The emoluments of the highest paid Director, who is the Chief Executive are £99,581 (2011, £92,104).

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 £10,996 (2011, £10,482).

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

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Travel expenses reimbursed to Board and Committee Members	8	12	3	4

During the year there were two tenant Link Group Board Members (2011, three) whose tenancies were on normal terms.

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

**9. EMPLOYEES**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year:</b>				
Wages and salaries	10,135	8,543	2,943	1,383
Social Security costs	947	838	324	148
Other pension costs	818	680	297	137
	<u>11,900</u>	<u>10,061</u>	<u>3,564</u>	<u>1,668</u>

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
The average number of persons persons employed during the year	<u>458</u>	<u>416</u>	<u>87</u>	<u>43</u>

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
The average number of full time equivalent persons employed during the year	<u>399</u>	<u>366</u>	<u>84</u>	<u>41</u>

**10. AUDITORS' REMUNERATION**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The remuneration of the auditors (including expenses and VAT) for the year				
Audit services	51	57	16	16
Other services	7	3	6	2
	<u>58</u>	<u>60</u>	<u>22</u>	<u>18</u>

**11. TAXATION**

Link Group Limited has charitable status for taxation purposes. In the year to 31 March 2012 it is considered that the Association's activities were within the scope of the charitable status and accordingly no provision for taxation is necessary for Link Group Limited.

For the group, the charge for Corporation Tax is made up as follows:-

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax on the results for the year	-	16
Under / (Over) provision in previous year	-	-
	<u>-</u>	<u>16</u>

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

**12. HOUSING STOCK – LINK GROUP**

**Analysis of Housing Stock by Accommodation Type**

	<b>Units in Management</b>		<b>Units Under Development</b>	
	<b>31 March 2012 Units</b>	<b>31 March 2011 Units</b>	<b>31 March 2012 Units</b>	<b>31 March 2011 Units</b>
<b>Link Group Limited</b>				
Housing accommodation for letting	5,888	5,819	245	109
Shared Bedspaces	532	530	-	-
Shared Ownership accommodation	511	515	27	15
<b>Larkfield Housing Association Limited</b>				
Housing accommodation for letting	396	396	-	-
<b>Horizon Housing Association</b>				
Housing accommodation for letting	793	790	-	-
Shared Ownership accommodation	25	24	-	-
Supported Bedspaces	25	25		
Total units in management	<u>8,170</u>	<u>8,099</u>	<u>272</u>	<u>124</u>

Included in Link Group Limited above are 62 units currently out of management (2011, 76) and excluded are 270 non-housing units (2011, 270)

In addition, the following units are managed by other bodies;

<b>Organisation</b>	<b>Units</b>	
	<b>31 March 2012 Units</b>	<b>31 March 2011 Units</b>
Stirling University	85	85
Others	11	9
	<u>96</u>	<u>94</u>



# LINK GROUP LIMITED

## NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

### 13a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – CONSOLIDATED

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	Shared Ownership properties in course of construction £'000	2012 Total £'000	Restated 2011 Total £'000
<b>Cost</b>						
At 1 April 2011	330,957	23,906	9,746	431	365,040	355,432
Prior year restatement	16,850	-	-	-	16,850	-
Restated opening balance	347,807	23,906	9,746	431	381,890	355,432
Additions	7,667	199	18,480	1,106	27,452	27,062
Transfer Shared Equity & Shared Ownership 1 <sup>st</sup> tranche to WIP	(130)	-	-	-	(130)	624
Transfers	12,765	-	(12,765)	-	-	-
Disposals - initial tranches	-	-	-	-	-	(358)
- other sales	(978)	(342)	(4)	-	(1,324)	(870)
<b>At 31 March 2012</b>	<b>367,130</b>	<b>23,763</b>	<b>15,457</b>	<b>1,537</b>	<b>407,888</b>	<b>381,890</b>
<b>Depreciation</b>						
At 1 April 2011	16,702	1,153	-	-	17,855	32,227
Prior year restatement	18,306	-	-	-	18,306	-
Restated opening balance	35,008	1,153	-	-	36,161	32,227
Provided during the year	4,338	116	-	-	4,454	4,039
On Disposals	(716)	(20)	-	-	(736)	(105)
<b>At 31 March 2012</b>	<b>38,630</b>	<b>1,249</b>	<b>-</b>	<b>-</b>	<b>39,879</b>	<b>36,161</b>
<b>Depreciated Cost</b>	<b>328,501</b>	<b>22,514</b>	<b>15,457</b>	<b>1,537</b>	<b>368,009</b>	<b>345,729</b>
<b>Housing Association Grant</b>						
At 1 April 2011	214,392	17,579	4,755	150	236,876	220,881
Prior year restatement	(2,147)	-	-	-	(2,147)	-
Restated opening balance	212,245	17,579	4,755	150	234,729	220,881
Additions	555	(114)	11,902	947	13,290	14,045
Transfer Shared Equity Grant to Creditors	-	-	-	-	-	191
Transfers	7,907	-	(7,907)	-	-	1
Repaid and abated during year	(95)	(237)	-	-	(332)	(389)
<b>At 31 March 2012</b>	<b>220,612</b>	<b>17,228</b>	<b>8,750</b>	<b>1,097</b>	<b>247,687</b>	<b>234,729</b>
<b>Other Capital Grants</b>						
At 1 April 2011	2,413	14	-	-	2,427	2,405
Prior year restatement	(8)	-	-	-	(8)	-
Restated opening balance	2,405	14	-	-	2,419	2,405
Additions	-	-	115	-	115	14
Transfers	115	-	(115)	-	-	-
<b>At 31 March 2012</b>	<b>2,520</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>2,534</b>	<b>2,419</b>
<b>Net Book Value at 31 March 2012</b>	<b>105,369</b>	<b>5,272</b>	<b>6,707</b>	<b>440</b>	<b>117,788</b>	<b>108,581</b>
<b>Net Book Value at 31 March 2011 restated</b>	<b>98,149</b>	<b>5,160</b>	<b>4,991</b>	<b>281</b>	<b>108,581</b>	

Included in property additions is £4,244,552 of property components capitalised in the year (2011 restated - £1,187,619).

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

#### 13b. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – LINK GROUP LTD.

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	Shared Ownership properties in course of construction £'000	2012 Total £'000	Restated 2011 Total £'000
<b>Cost</b>						
At 1 April 2011	264,854	22,905	9,740	431	297,930	293,520
Prior year restatement	14,190	-	-	-	14,190	-
Restated opening balance	279,044	22,905	9,740	431	312,120	293,520
Additions	6,705	108	18,480	1,106	26,399	18,612
Transfer Shared Equity & Shared Ownership 1 <sup>st</sup> tranche to WIP	(130)	-	-	-	(130)	624
Transfers	12,765	-	(12,765)	-	-	-
Disposals - initial tranches	-	-	-	-	-	(358)
- other sales	(803)	(342)	-	-	(1,145)	(278)
<b>At 31 March 2012</b>	<b>297,581</b>	<b>22,671</b>	<b>15,455</b>	<b>1,537</b>	<b>337,244</b>	<b>312,120</b>
<b>Depreciation</b>						
At 1 April 2011	13,537	1,120	-	-	14,657	28,348
Prior year restatement	16,758	-	-	-	16,758	-
Restated opening balance	30,295	1,120	-	-	31,415	-
Provided during the year	3,654	112	-	-	3,766	3,024
On Disposals	(594)	(20)	-	-	(614)	43
<b>At 31 March 2012</b>	<b>33,355</b>	<b>1,212</b>	<b>-</b>	<b>-</b>	<b>34,567</b>	<b>31,415</b>
<b>Depreciated Cost</b>	<b>264,226</b>	<b>21,459</b>	<b>15,455</b>	<b>1,537</b>	<b>302,677</b>	<b>280,705</b>
<b>Housing Association Grant</b>						
At 1 April 2011	170,390	16,767	4,755	150	192,062	180,120
Prior year restatement	(2,147)	-	-	-	(2,147)	-
Restated opening balance	168,243	16,767	4,755	150	189,915	180,120
Additions	325	(114)	11,902	947	13,060	9,721
Transfer Shared Equity Grant to Creditors	-	-	-	-	-	191
Transfers	7,907	-	(7,907)	-	-	1
Repaid and abated during year	(95)	(237)	-	-	(332)	(118)
<b>At 31 March 2012</b>	<b>176,380</b>	<b>16,416</b>	<b>8,750</b>	<b>1,097</b>	<b>202,643</b>	<b>189,915</b>
<b>Other Capital Grants</b>						
At 1 April 2011	2,413	14	-	-	2,427	2,405
Prior year restatement	(8)	-	-	-	(8)	-
Restated opening balance	2,405	14	-	-	2,419	2,405
Additions	-	-	115	-	115	14
Transfers	115	-	(115)	-	-	-
<b>At 31 March 2012</b>	<b>2,520</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>2,534</b>	<b>2,419</b>
<b>Net Book Value at 31 March 2012</b>	<b>85,326</b>	<b>5,029</b>	<b>6,705</b>	<b>440</b>	<b>97,500</b>	<b>88,371</b>
<b>Net Book Value at 31 March 2011 restated</b>	<b>78,101</b>	<b>5,004</b>	<b>4,985</b>	<b>281</b>	<b>88,371</b>	

Development administration costs capitalised amounted to £209,506 (2011 - £197,177) for which Housing Association Grant amounting to £214,862 (2011 - £213,487) was received in the year. Included in property additions is £3,576,949 of property components capitalised in the year (2011 restated - £172,082).

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

**14a. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS - CONSOLIDATED**

	<b>Heritable Office Property £'000</b>	<b>Plant &amp; Equipment £'000</b>	<b>Vehicles £'000</b>	<b>2012 Total £'000</b>	<b>2011 Total £'000</b>
<b>Cost</b>					
At 1 April 2011	8,421	1,471	115	10,007	9,640
Additions	2	358	-	360	508
Disposals	(166)	(131)	-	(297)	(141)
<b>At 31 March 2012</b>	<b>8,257</b>	<b>1,698</b>	<b>115</b>	<b>10,070</b>	<b>10,007</b>
<b>Grant</b>					
At 1 April 2011	-	2	-	2	2
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At 31 March 2012</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>Depreciation</b>					
At 1 April 2011	998	823	44	1,865	1,589
Provided during the year	167	247	23	437	395
On Disposals	(166)	(132)	-	(298)	(119)
<b>At 31 March 2012</b>	<b>999</b>	<b>938</b>	<b>67</b>	<b>2,004</b>	<b>1,865</b>
<b>Net Book Value at 31 March 2012</b>	<b>7,258</b>	<b>758</b>	<b>48</b>	<b>8,064</b>	<b>8,140</b>
<b>Net Book Value at 31 March 2011</b>	<b>7,423</b>	<b>646</b>	<b>71</b>	<b>8,140</b>	

**14b. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS - LINK GROUP LTD**

	<b>Heritable Office Property £'000</b>	<b>Plant &amp; Equipment £'000</b>	<b>Vehicles £'000</b>	<b>2012 Total £'000</b>	<b>2011 Total £'000</b>
<b>Cost</b>					
At 1 April 2011	7,677	1,235	30	8,942	8,588
Additions	2	352	-	354	405
Disposals	(166)	(131)	-	(297)	(51)
<b>At 31 March 2012</b>	<b>7,513</b>	<b>1,456</b>	<b>30</b>	<b>8,999</b>	<b>8,942</b>
<b>Depreciation</b>					
At 1 April 2011	874	611	21	1,506	1,210
Provided during the year	150	237	2	389	346
On Disposals	(166)	(132)	-	(298)	(50)
<b>At 31 March 2012</b>	<b>858</b>	<b>716</b>	<b>23</b>	<b>1,597</b>	<b>1,506</b>
<b>Net Book Value at 31 March 2012</b>	<b>6,655</b>	<b>740</b>	<b>7</b>	<b>7,402</b>	<b>7,436</b>
<b>Net Book Value at 31 March 2011</b>	<b>6,803</b>	<b>624</b>	<b>9</b>	<b>7,436</b>	

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

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#### 15. INVESTMENTS

##### Subsidiary Undertakings

Company	Authorised Share Capital	Issued Share Capital	Principal Activity
Link Housing Association Limited	100 £1 shares	£1	Management of social rented housing stock
Linkwide Limited	Limited by Guarantee	N/A	Development of Community Regeneration initiatives
LinkLiving Limited	Limited by Guarantee	N/A	Providing care and support to Link tenants and others
Link Property Limited	50,000 £1 shares	£50,000	Dormant
Larkfield Housing Association Limited	N/A	N/A	A Registered Social Landlord, management of social rented housing stock
Link Energy Limited	100 £1 shares	£1	General commercial activities relating to renewable energy projects
Horizon Housing Association	N/A	N/A	A Registered Social Landlord, management of social rented housing stock

At 31 March 2012 Link Group Limited held 100% share capital of the subsidiary undertakings listed above, with the exception of Larkfield Housing Association and Horizon Housing Association, where Link Group Limited has control of the appointment of the Committee of Management.

Link Property Limited was dormant (within the meaning of section 480 of the Companies Act 2006) throughout the financial period to 31 March 2012. The issued share capital of Link Property Limited and Link Housing Association is shown at cost within Link Group Limited.

Link Energy Limited was incorporated on 10 November 2008 and has not traded up to the Balance Sheet date.

At 31 March 2012 Linkwide Limited held 100% share capital of the following subsidiary undertakings:

Company	Authorised Share Capital	Issued Share Capital	Principal Activity
Link Homes (2001) Limited	50,000 £1 shares	£50,000	Developing housing for sale

The issued share capital of Link Homes (2001) Limited is held at cost within Linkwide Limited.

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

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

15. INVESTMENTS (continued)

	Shares in Group Undertakings 2012 £	Shares in Group Undertakings 2011 £
<b>Cost</b>		
At 1 April 2011 and 31 March 2012	50,002	50,002
<b>Amounts written down</b>		
At 1 April 2011 and 31 March 2012	-	-
<b>Shares redeemed during the year</b>		
At 1 April 2011 and 31 March 2012	-	-
<b>Net Book Value At 1 April 2011 and 31 March 2012</b>	<u>50,002</u>	<u>50,002</u>

16. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>At 1 April 2011</b>	2,149	2,894	1,626	2,888
Expenditure on development properties	4,459	2,092	4,462	1,345
Shared ownership first tranche costs	-	358	-	358
Cost of disposals transferred to cost of sales	(3,972)	(3,197)	(3,453)	(2,965)
Stock	5	2	-	-
<b>At 31 March 2012</b>	<u>2,641</u>	<u>2,149</u>	<u>2,635</u>	<u>1,626</u>

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

**17. DEBTORS**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Arrears of rent and service charges	1,150	902	932	704
Less: Provision for bad and doubtful debts	(397)	(299)	(331)	(247)
HAG receivable	1,474	1,004	1,474	1,004
Revenue Grants Receivable	219	2,160	-	-
Shared Equity Grants	107,388	100,494	5,965	4,575
Other debtors (less provision £105,414 2011 - £105,141)	3,623	2,460	695	77
Prepayments	1,487	475	1,390	167
Due from subsidiaries	-	-	4,155	5,785
	<b>114,944</b>	<b>107,196</b>	<b>14,280</b>	<b>12,065</b>

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

Link Group Limited provided loan facilities to Horizon Housing Association Ltd., one of its charitable subsidiaries, through an on-lending agreement from part of its lending facilities (see note 19). The amount advanced under this facility at 31 March 2012 was £nil (2011, £4,050,000).

**18. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing Loans – current instalments due (Note 19)	6,910	820	6,368	370
Shared Equity Grants	109,261	103,143	7,133	5,595
Trade and other creditors	8,888	7,237	6,288	4,336
Taxation and Social Security	338	283	338	260
Pension Contributions	68	66	68	66
Accruals	1,258	1,587	330	235
Rents in advance	640	665	455	488
Amounts owed to group undertakings	-	-	1,128	987
	<b>127,363</b>	<b>113,801</b>	<b>22,108</b>	<b>12,337</b>

Included in Trade and Other Creditors is an amount of £775,000 (2011, £775,000), representing a grant repayable to the Scottish Government. The amount repayable relates to grant aided flats, which were demolished following the discovery of serious structural defects. Link does not consider the grant repayment to be equitable and has made representations to the Scottish Government for further abatement, although in the accounts the full amount repayable has been provided.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

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

	Consolidated		Link Group Ltd	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Loan Facilities	81,847	81,775	64,391	66,756
The Scottish Government	200	200	-	-
	<u>82,047</u>	<u>81,975</u>	<u>64,391</u>	<u>66,756</u>

The Scottish Government has advanced funds to Larkfield Housing Association in respect of proposed works to owner occupied properties. These funds will be repaid to The Scottish Government once repairs are completed and contributions received from the owners.

Analysis of Loan Facilities	Consolidated		Link Group Ltd	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Housing Loans</b>				
<b>Fixed Rate</b>				
Advanced by Banks	35,000	35,000	35,000	35,000
Advanced by Building Societies	8,396	9,359	1,168	1,197
<b>Variable Rate</b>				
Advanced by Banks	33,700	30,000	33,700	30,000
Advanced by Building Societies	11,661	8,236	891	929
	<u>88,757</u>	<u>82,595</u>	<u>70,759</u>	<u>67,126</u>

The group has loan facilities of £101.0m, of which £88.8m had been drawn down as at 31 March 2012 (2011 - £82.6m). The loan facility is secured over a number of the Association's housing properties.

Interest on the loans was charged at interest rates between 0.9492% and 6.1700% (2011, between 0.8541% and 5.479%).

Analysis of Maturity of Debt

Amounts Repayable:	Consolidated		Link Group Ltd	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
In one year or less, or on demand	6,910	820	6,368	370
Between one and two years	942	4,889	365	4,363
Between two and five years	3,264	2,657	1,311	1,103
	<u>11,116</u>	<u>8,366</u>	<u>8,044</u>	<u>5,836</u>
In five years or more	77,641	74,229	62,715	61,290
	<u>88,757</u>	<u>82,595</u>	<u>70,759</u>	<u>67,126</u>

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

**20. SHARE CAPITAL**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Shares of £1 each fully paid and issued	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
At beginning of the year	445	428	257	246
Shares issued during the year	31	27	11	13
Shares surrendered during the year	(59)	(10)	(15)	(2)
Shares of £1 each fully paid at end of the year	<u>417</u>	<u>445</u>	<u>253</u>	<u>257</u>

**21. DESIGNATED FUTURE MAINTENANCE RESERVE - CONSOLIDATED AND LINK GROUP LIMITED**

	<b>Consolidated</b>		<b>Link Group Ltd.</b>	
	<b>2012</b>	<b>Restated 2011</b>	<b>2012</b>	<b>Restated 2011</b>
	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2011	16,908	18,171	16,396	16,396
Prior year adjustment	-	(916)	-	-
Restated balance at 1 April 2011	<u>16,908</u>	<u>17,255</u>	<u>16,396</u>	<u>16,396</u>
Net transfer from/(to) Income and Expenditure Account	20	(347)	-	-
At 31 March 2012	<u>16,928</u>	<u>16,908</u>	<u>16,396</u>	<u>16,396</u>

**22. RESTRICTED RESERVE - CONSOLIDATED**

	<b>2012</b>	<b>2011</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2011	-	-
From Income and Expenditure Account	25	-
To Income and Expenditure Account	(25)	-
At 31 March 2012	<u>-</u>	<u>-</u>

**23. NEGATIVE GOODWILL – CONSOLIDATED AND LINK GROUP LIMITED**

	<b>2012</b>	<b>2011</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2011	876	876
Amortised during the year	-	-
At 31 March 2012	<u>876</u>	<u>876</u>

It is anticipated that further costs will arise in the short term, against which the balance of negative goodwill (£876,000) will be fully amortised.



## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

#### 24a. REVENUE RESERVES - CONSOLIDATED

	<b>2012</b>	<b>Restated</b>
	<b>Total</b>	<b>2011</b>
	<b>£'000</b>	<b>Total</b>
		<b>£'000</b>
Balance at 1 April 2011	22,747	17,742
Prior year adjustment	-	864
Restated balance at 1 April 2011	22,747	18,606
Surplus in the year	3,946	2,878
Net transfer (to)/from designated reserve	(20)	1,263
At 31 March 2012	26,673	22,747

#### 24b. REVENUE RESERVES – LINK GROUP LIMITED

	<b>2012</b>	<b>Restated</b>
	<b>Total</b>	<b>2011</b>
	<b>£'000</b>	<b>Total</b>
		<b>£'000</b>
Balance at 1 April 2011	18,843	16,202
Prior year adjustment	-	651
Restated balance at 1 April 2011	18,843	16,853
Surplus in the year	3,196	1,990
At 31 March 2012	21,039	18,843

#### 25. CAPITAL COMMITMENTS

At 31 March 2012 authorised and contracted commitments outstanding amounted to approximately £12.4m for Link Group Limited (2011 - £10.9m) and £12.4m for the group (2011 – £11.3m).

#### 26. CONTINGENT LIABILITIES

##### Office Repairs

A contingent liability exists in respect of potential repairs to Link's property at 170 Hope Street, Glasgow. The property is listed and deemed to be of significant architectural importance, although major expenditure is required to make the property safe. Agreement has been reached in principle with Glasgow Building Preservation Trust to purchase the property for £1 which will free Link from any liability for repairs to the building.

##### Horizon Housing Association Outstanding Claim

A claim for damages in the sum of £459,329 has been made against Horizon Housing Association by a local authority in respect of an alleged breach of contract in relation to provision of development services at Ladeside Gardens, Kilmaurs. Horizon is strongly defending the action and appropriate risk assessments have been carried out to mitigate against any material financial or operational impact on the association.

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

**27. OBLIGATIONS UNDER LEASES**

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

<b>CONSOLIDATED</b>	<b>2012</b>		<b>2011</b>	
	<b>Land and Buildings £'000</b>	<b>Other £'000</b>	<b>Land and Buildings £'000</b>	<b>Other £'000</b>
<b>Operating leases which expire:</b>				
Within one year	-	-	-	4
In the second to fifth year inclusive	-	13	-	-
Over five years	36	-	36	-
	<u>36</u>	<u>13</u>	<u>36</u>	<u>4</u>

<b>LINK GROUP LIMITED</b>	<b>2012</b>		<b>2011</b>	
	<b>Land and Buildings £'000</b>	<b>Other £'000</b>	<b>Land and Buildings £'000</b>	<b>Other £'000</b>
<b>Operating leases which expire:</b>				
Within one year	-	-	-	4
In the second to fifth year inclusive	-	13	-	-
Over five years	36	-	36	-
	<u>36</u>	<u>13</u>	<u>36</u>	<u>4</u>

**28. RECONCILIATION OF SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITY**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2012 £'000</b>	<b>2011 £'000</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
Operating surplus	5,543	4,067	4,189	2,594
Depreciation charges	4,956	2,612	4,221	2,189
Exceptional Items	1,321	1,000	1,321	1,000
Increase in creditors	6,779	19,387	2,843	751
(Increase) in debtors	(9,253)	(23,085)	(1,779)	(6,529)
(Increase)/decrease in work in progress	(495)	739	(1,010)	1,263
Net Cash Inflow from Operating Activities	<u>8,851</u>	<u>4,720</u>	<u>9,785</u>	<u>1,268</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

29. GROSS CASH FLOWS

	Consolidated		Link Group Ltd	
	2012	2011	2012	2011
(a) Returns on Investments and Servicing of Finance	£'000	£'000	£'000	£'000
Interest received	23	15	71	47
Interest paid	(3,161)	(2,918)	(2,605)	(2,359)
	<u>(3,138)</u>	<u>(2,903)</u>	<u>(2,534)</u>	<u>(2,312)</u>
<b>(b) Capital Expenditure</b>				
Acquisition and construction of housing Properties	(26,515)	(25,740)	(25,285)	(17,408)
Purchase of other fixed assets	(380)	(505)	(374)	(402)
Capital grants received	14,876	13,748	12,705	9,424
Grants repaid	(311)	(310)	(311)	(39)
Sale proceeds of housing properties	665	905	664	560
Sale proceeds of other fixed assets	-	24	-	-
	<u>(11,665)</u>	<u>(11,878)</u>	<u>(12,601)</u>	<u>(7,865)</u>
<b>(c) Financing</b>				
Loan advances received - housing	7,000	11,000	4,000	11,000
Loan principal repayments - Housing	(838)	(494)	(367)	(64)
	<u>6,162</u>	<u>10,506</u>	<u>3,633</u>	<u>10,936</u>

30a. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT - CONSOLIDATED

	2012	2011
	£'000	£'000
Increase in cash in the period	210	445
Cash (inflow) from increase/decrease in debt	<u>(6,162)</u>	<u>(10,506)</u>
<b>Movement in net debt in the period</b>	<b>(5,952)</b>	<b>(10,061)</b>
<b>Net debt at 1 April 2011</b>	<b>(72,354)</b>	<b>(62,293)</b>
<b>Net debt at 31 March 2012</b>	<b><u>(78,306)</u></b>	<b><u>(72,354)</u></b>

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)**

**30b. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
LINK GROUP LIMITED**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
(Decrease)/Increase in cash in the period	(1,717)	2,027
Cash (inflow) from increase/decrease in debt	(3,633)	(10,936)
<b>Movement in net debt in the period</b>	<u>(5,350)</u>	<u>(8,909)</u>
<b>Net debt at 1 April 2011</b>	<u>(61,466)</u>	<u>(52,557)</u>
<b>Net debt at 31 March 2012</b>	<u><u>(66,816)</u></u>	<u><u>(61,466)</u></u>

**31a. ANALYSIS OF NET DEBT - CONSOLIDATED**

	<b>At 1 April</b>	<b>Cash</b>	<b>At 31</b>
	<b>2011</b>	<b>Flows</b>	<b>March</b>
	<b>£'000</b>	<b>£'000</b>	<b>2012</b>
			<b>£'000</b>
Cash at bank	10,241	210	10,451
Debt due after one year	(81,775)	(72)	(81,847)
Debt due within one year	(820)	(6,090)	(6,910)
	<u>(72,354)</u>	<u>(5,952)</u>	<u>(78,306)</u>

**31b. ANALYSIS OF NET DEBT - LINK GROUP LIMITED**

	<b>At 1 April</b>	<b>Cash</b>	<b>At 31 March</b>
	<b>2011</b>	<b>Flows</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank	5,660	(1,717)	3,943
Debt due after one year	(66,756)	2,365	(64,391)
Debt due within one year	(370)	(5,998)	(6,368)
Liquid resources	-	-	-
	<u>(61,466)</u>	<u>(5,350)</u>	<u>(66,816)</u>

## 32. PENSIONS

### Defined Contribution Scheme

186 members of staff are members of the Link group personal pension scheme (2011, 176), 63 of whom are employed by Link Group Limited (2011, 36). 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 2012 amounted to £565,138 (2011 £521,086), of which £264,391 was made in relation to Link Group Limited staff (2011 £137,030).

### Defined Benefit Scheme

#### General

Link group also participates in the SHAPS Pension Scheme (the "scheme"). The Scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Link Group Limited and Larkfield H.A. Limited have elected to continue to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members and new entrants from 1 April 2012. Horizon H.A. Limited has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members and the career average revalued earnings (CARE) with a 1/120th accrual rate benefit structure for new entrants from 1 April 2012.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

Link Group, including Larkfield H.A. Limited and Horizon H.A. Limited, paid contributions at the rate of 9.6% of pensionable salaries, with an additional contribution to past service deficits of 10.4%. Employer contributions amounted to £252,670 (2011, £162,702) during the accounting period for 40 members of staff (2011, 41), of which none (2011, none), related to any members of Link Group Limited staff (2011, none). Member contributions were 9.6%.

As at the balance sheet date there were 40 (2011, 40) active members of the Scheme employed by Link Group and subsidiaries, none of which are employed by Link Group Limited (2011, none). Link Group Limited has closed the scheme to new entrants, however, Larkfield H.A. Limited and Horizon H.A. Limited, subsidiaries of Link Group, continue to offer membership of the Scheme to their employees.

**32. PENSIONS (continued)**

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

**Valuation Results**

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

<b>2009 Valuation Assumptions</b>	<b>% p.a.</b>
Investment return pre retirement	7.4
Investment return post retirement - Non-pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
<b>Rate of pension increases</b>	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

**Mortality Tables**

Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

<b>Contribution Rates for Future Service (payable from 1 April 2011)</b>	<b>%</b>
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions *	10.4

(\* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

#### 32. PENSIONS (continued)

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for the Association was £4,254,383.

#### 33. PRIOR YEAR ADJUSTMENT

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Group, including Larkfield and Horizon Housing Associations, has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment.

The principle of component accounting is to treat major components of an asset as if each component is a separate asset in its own right and depreciate the components over their individual useful economic lives. It follows therefore, that when a component is replaced, the old component is written off, in order to avoid double counting, with the new component capitalised and then amortised over its expected useful life.

The effect of this change in accounting policy on the 2011 financial statements is shown below. The 2011 opening reserves have increased by £651k (consolidated £864k) of which £15,522k (consolidated £16,954k) relates to increased depreciation and £16,173k (consolidated £17,818k) relates to major repairs previously written off to the Income and Expenditure account now capitalised as components.

Effect on the 2011 financial statements	<b>Consolidated £'000</b>	<b>Link Group Ltd £'000</b>
Increase in depreciation	1,352	1,236
Reduction in major repairs cost	(1,187)	(172)
	<hr/>	<hr/>
Decrease in Revenue Reserve	165	1,064

The net effect of the prior year adjustment is therefore a decrease of £413k in Link Group Limited Revenue Reserves and an increase of £699K in consolidated Revenue Reserves.

#### 34. EXCEPTIONAL ITEM

During the year, Link received £1,320,870 in settlement of an outstanding claim arising from a dispute relating to serious defects within a housing development.