

LINK GROUP LIMITED



LINKGROUP

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

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

Scottish Charity No: SC001026

The Scottish Housing Regulator No: HAL 148

LINK GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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LINK GROUP LIMITED

BOARD OF MANAGEMENT, DIRECTORS AND ADVISORS

BOARD OF MANAGEMENT

R Martin (Chairman)	I Dickson
C Allan	C Donaldson
P Biberbach	J Flaherty
M Catterall	D Mackie
A Colston (resigned August 2018)	H Sharp Webb (resigned May 2019)
C Cuthbertson (appointed November 2018)	A Smith
A Diamond (resigned May 2019)	

CHIEF EXECUTIVE AND DIRECTORS

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

EXTERNAL AUDITOR

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

BANKER

Bank of Scotland
75 George Street
Edinburgh EH2 3EW

SOLICITOR

Burness Paull LLP
50 Lothian Road
Edinburgh EH3 9WJ

INTERNAL AUDITOR

Scott Moncrieff
25 Bothwell Street
Glasgow G2 6NL

Harper Macleod LLP
45 Gordon Street
Glasgow G1 3PE

FUNDERS

Royal Bank of Scotland
M&G Investments

Bank of Scotland

Santander Corporate Banking

REGISTERED OFFICE

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LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the group financial statements for the year ended 31 March 2019. The report includes the Strategic report requirements and disclosures as set out in the Housing SORP 2014 - Statement of Recommended Practice for Registered Social Housing Providers.

Principal activity

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

Group Structure

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

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

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

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

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

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

Link Group Chief Executive

During the year Mr Sanderson retired and stepped down from the Link Group Chief Executive position. Mr Sanderson provided the organisation 44 years of service with 31 of these as the Chief Executive. During this period the Link Group has become one of the pre-eminent Registered Social Landlords in Scotland and the Board thanks Mr Sanderson for his clear commitment, passion, and stewardship of the organisation over the years.

In line with our Regulatory obligations the Group Board undertook a detailed options appraisal when Mr Sanderson announced his retirement. It was decided that a new Chief Executive should be recruited to lead the organisation and Mr Turner was subsequently appointed in January 2019.

Group Strategy and Objectives

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

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

Providing Homes

- Build at least 3,200 new homes over the next five years that meet people's needs including expansion into the private rented sector.
- Seek opportunities to build for sale, low cost, good quality homes.
- Ensure Link's homes are well maintained, efficient to heat and are adaptable as people's needs change.

Building Communities

- Work with people to improve their communities.
- Support community development and social enterprises.

Valuing People

- Find out from customers what they want from us and use these insights to drive service improvement.
- Support and encourage more people to reach their potential.

Working Together

- Make best use of our resources and use them to benefit our customers by benchmarking, reviewing value for money and conducting social impact analyses.
- Use our networks to learn from and influence others, and use our knowledge and experience to help others to maximise our impact.

The Link group of companies provide a diverse range of services to tenants and service users which are active in all of Scotland's Local Authority areas. The Link Group Board recognise, and value, the specialist expertise that the group's subsidiary organisations contribute. In developing the overarching strategic direction for the group an important point of principle is to ensure that the framework is one which resonates across all the organisations and is dynamic enough to allow individual subsidiaries to adapt strategic plans reflecting local priorities. The setting of the strategic priorities is consulted upon to ensure that the right balance is achieved.

Moving forward Link has decided to undertake a Strategic Services Review. This will be based on a 'customer first' principle and look at the overall services the group provides and how they are delivered. This will be a significant piece of work for the coming year and will help to shape and inform the Group strategy moving forward.

Operating Performance

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

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

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

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REPORT OF THE BOARD OF MANAGEMENT (continued)

Performance Indicator	Link Group	Scottish Average
Percentage of tenants satisfied with overall service provided by landlord	89.4%	90.5 %
Percentage of tenants who consider their landlord is good about keeping them informed about their services and outcomes	97.0%	91.7 %
Percentage of tenants satisfied with the opportunities to participate in the landlord's decision making	97.6%	85.9%
Average hours to complete emergency repairs	2.7 hours	4.0 hours
Percentage of reactive repair appointments kept	99.2%	95.5%
Percentage of tenants satisfied with repairs service	98.9%	92.1%
Percentage tenants satisfied with quality of home	92.9%	87.9%
Percentage of homes meeting the Scottish Housing Quality Standard	99.6%	94.2%
Percentage all 1st stage complaints responded to in full within <i>Scottish Public Services Ombudsman</i> timescales	96.8%	86.3%
Gross rent arrears as a percentage of rent due	3.12%	5.4%
Rent collected for current and past rent expressed as a percentage of total rent due in the year	99.6%	99.4%
Percentage void rent loss	0.9%	0.8%

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

Link Group Limited is currently undertaking a number of ICT&D projects, one of which is a major project called "Service First" which aims to decentralise a range of functions previously delivered by its Customer Service Centre to ensure that Link delivers local, responsive and quality services to meet customer's needs. In addition the project has delivered a number of "apps" for customer and staff use to enable better reporting and communication.

Operating Performance (continued)

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

All the RSLs also performed well in terms of rent collection performance and rent arrears management. Also, in terms of value for money, void rent loss from vacant periods between tenancies ranged from 0.1% of rent due to the highest being 0.9% of rent due. A high degree of efficiency in the collection of rental income and to manage rent arrears was also achieved with the rent arrears ranging from 2% to 5% of rental income due. The SHR publishes an annual engagement plan for Link which covers the group and the 2019 plan does not contain any areas of attention or focus in relation to any operating performance deficiencies.

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

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

Link Housing Association (LHA) Limited is the subsidiary company which carries out all the housing management functions for Link Group Limited including the management of the social rented housing, mid-market rented housing, shared ownership and the shared equity sales functions. LHA also continues to provide a comprehensive private sector leasing service for the City of Edinburgh Council which involves the management of around 1,300 properties, let to applicants who were previously homeless.

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

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

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

Financial Performance

Except where otherwise stated the financial performance discussed is that of the parent company only i.e. of Link Group Limited ("Link"). The financial statements reflect the requirements of the Statement of Recommended Practice for registered social housing providers, the Housing SORP 2014.

In 2019 Link achieved a surplus for the year of £2.4m and total comprehensive income of £2.5m (2018 £4.4m). Turnover decreased by approximately 4.6% to £43m and operating costs decreased by 3% to £36.2m. The income from social letting activities increased by 5% (increasing income by £1.8m) and this reflects rent increases applied in April 2018 and rents received from new build completions during the year.

Turnover from other activities decreased by £4.6m and this decrease in income arose from a reduction in the number of New Supply Shared Equity (NSSE) properties completed and sold in the year (a reduction in income of £3.1M), a reduction in the number of properties sold under the Right to Buy (a reduction in income of £1M) and a neutral position being achieved in the value of investment properties (in 2018 investment property values increased by £0.8M). None of these matters raise any cause for concern as the number of NSSE properties completed is a direct output of the timing of project completions and in 2018 there was an increase in activity as a result of the Right to Buy being abolished.

Included in operating costs is the expenditure on wider role activities (£1m) and expenditure on reactive maintenance, planned and cyclical maintenance and major repairs, the cost of which was £10.4m in 2019 (2018, £9m). The total investment in 2019 on all maintenance activities was £13.4m (2018, £12.6m), £3m (2018, £3.6m) of which was treated as capital expenditure.

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REPORT OF THE BOARD OF MANAGEMENT (continued)

Link's surplus for the year decreased by £1.7m from the 2018 position. The main reason was the decrease in the Operating Surplus (from £8.6m in 2018 to £6.8m in 2019). This reflects the continued investment by Link in maintaining properties and the planned increase in management costs to increase front line housing staff through reducing the portfolio of properties managed by individual Housing Officers, with the primary purpose to increase resources to combat the impact of welfare reforms.

The overall total comprehensive income for the year of £2.5m was achieved after meeting interest payable and related finance costs of £5.8m, (2018 £5.8m) on loans borrowed to support new properties built and those in the course of construction. The results for 2019 were in line with the Board's expectations and exceeded Link's budget for 2018/19.

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

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

Despite the significant planned maintenance investment in its stock, Link is required by the Housing SORP 2014 to depreciate its housing properties and retained surpluses are calculated after providing for depreciation of £11.3m in 2019 (2018: £10.7m). The depreciation is offset by amortising the grants received to build the properties which results in a credit to income of £5.3m in 2019 (2018: £5.2m).

At 31 March 2019, Link's total reserves amounted to £66.6m, an increase of £2.5m from 2018. The increase in reserves is solely attributable to the surplus achieved. In addition to providing funds for re-development, these reserves are required to support Link's development programme, the planned maintenance investment programme and provide a hedge against risk. The total reserves in 2019 are also after recognising Link's pension liability to the Scottish Housing Association Pension scheme of £0.5m (2018: £0.8m).

The financial statements include the results of all Link subsidiaries and the Link Group surplus is shown on page 17. In the year to 31 March 2019 the consolidated surplus for the year was £5m (2018: £6m), based on overall group turnover of £65.2m (2018: £67.1m). The total comprehensive income for the year was £4.2m (2018: £6.8m). The total consolidated reserves amounted to £98.3m (2018: £94m).

The Board reviews the financial position of all the group members on a quarterly basis when it considers the consolidated quarterly management accounts. The final results for 2019 are consistent with the performance reported during the year and the Board is satisfied that individually all the group members have performed well financially, and the group's consolidated financial position is strong.

Investment and Financing

During the year Link invested £71.3m (2018: £51.9m) in new properties for rent and sale on a shared equity basis across the central belt of Scotland and on replacement of building components. This expenditure was partly financed by Social Housing Grant of £48.6m (2018: £29.7m) with the balance funded by income from property sales, cash flow and loans drawn from Link's loan facilities.

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REPORT OF THE BOARD OF MANAGEMENT (continued)

The increase in investment in new properties reflected expenditure on the significant number of projects receiving grant approval from the Scottish Government. During 2018/19, Link completed 146 properties (2018: 239) comprising 134 for social rent and 12 for New Supply Shared Equity. 29 of the 134 social rented properties completed were for other housing associations.

Link renewed its 5-year revolving credit facilities of £45m with two of its three lenders (all three facilities now operate through to 2022/23) and put in place a 12 to 18 month £50M facility with one lender to ensure Link had sufficient liquidity available. These facilities enable Link to finance the development programme and then, when the facilities are fully drawn, Link obtains long term finance so that the revolving credit facilities are once again available to finance the ongoing development programme. In June 2019 Link raised £50M through a Private Placement with Canada Life and work was continuing on raising further funding to be drawn in late 2019 and in 2020. In late 2018 Link's credit rating with Standard & Poors was re-affirmed as A+. Standard & Poors however changed Link's outlook to "negative" which is in line with many of the UK housing associations rated by Standard & Poors.

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

Link's treasury management policy aims to maintain approximately 50% to 80% of Link's borrowings on fixed interest rates, maturing over a rolling period, as a hedge against adverse movements in variable interest rates. At March 2019, Link's fixed rate borrowings (at 74%) were within the 80% target.

In addition to the housing properties required as security for all its current borrowings, Link has a large proportion of housing stock available to be used as security for most of the required future borrowing. Link's current development programme will be financed from the new revolving credit loan facilities and when completed, these properties will also be available as security for future borrowings.

Link has a continuing, substantial investment programme. The business plan projection is to complete 2,905 properties for rent over the five-year business plan period through to 2023/24, in addition to which Link also plans to build a further 136 properties for shared equity sales. The business plan projection for rented properties is to develop approximately 73% for social rent with the remainder being mainly for mid-market rent. At current grant subsidy levels Link is confident that it will be able to continue to build and let new homes at social rent levels thus providing welcome genuinely affordable housing to those in need.

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

Business Risks

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

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REPORT OF THE BOARD OF MANAGEMENT (continued)

The principal risks identified relate to potential increases in pension liabilities (mitigated by the move of group staff to defined contribution schemes) and the impact of welfare reform. Welfare reform is a major challenge being faced by all social housing providers and Link continues to assess the potential impact as a high-risk area. Link actively support tenants to recognise and manage the impact of Welfare reform through a network of FCA regulated advisors. In addition the Housing Officer portfolios have been reduced to an average of approximately 200 homes per Officer in order that we can continue to work closely with our tenants as the Welfare Reform changes work through the system.

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

The availability and cost of funding has not been an issue for Link to date and this has been further evidenced by the raising of a new private placement in the first quarter of 2019/20 at market leading rates. Work in this area will continue through the next year and Link is confident it will continue to be an attractive proposition to funders.

At a macro level the uncertainties surrounding Brexit remain. The Link Group Board is comfortable that the detailed stress testing analysis undertaken on the business plan is of sufficient depth that it covers the key material risk areas for the organisation, irrespective of the cause.

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

Business Outlook

As a sector there has been a focus on delivery of the Scottish Government new affordable homes target of 50,000 homes by 2021 and Link are a key delivery partner in this regard. Looking forward the dialogue is changing as the Scottish Government look to frame their views on how the affordable housing sector will evolve in the next parliamentary term. Link continues to engage fully in the consultation process emphasising the importance of a continued development programme alongside a renewed focus on investment in existing homes and tenant welfare services.

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

With support from the Scottish Government in maintaining current grant levels, Link expects to be able to continue to provide affordable housing covering a range of tenure types to people with a variety of housing needs. Link has substantial expertise in delivering innovative development solutions and this year the first of our new Retirement Living developments has been completed.

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

Link financial projections are based upon relatively low levels of inflation remaining constant throughout the 30-year plan period.

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REPORT OF THE BOARD OF MANAGEMENT (continued)

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

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

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

Board and Directors

The Board consists of up to 15 members elected at the Annual General Meeting. Board members serve on various committees as described in the Statement on Internal Financial Controls. Current membership of the Board is set out on page 1. Board membership at March 2019 stood at 12 Members (as at the date of this report, 10 Members). The Directors of Link (who are staff members) have no beneficial interest in its share capital and they act within the authority delegated by the Board of management.

Equality and Diversity

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

Employee Involvement

Link employed 637 staff (2018: 638) across the group on average throughout the year. 120 staff members (2018: 123) are employed in Link Group Limited. Link's employee involvement covers a wide range of methods from the formal recognition of the UNITE union, to employee information and consultation groups, working parties and project groups. Regular team and one-to-one meetings with staff ensure that communication is of good quality, and that these meetings supplement the monthly core brief emanating from the Board meetings and the monthly staff newsletter. Link's employee involvement, learning and development activities and well-being initiatives have been acknowledged through achievement of Investors in People Gold award, Investors in Young People award and Healthy Working Lives Gold.

Basis of Preparation of Financial statements

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

Auditor

A resolution to re-appoint KPMG LLP as auditor will be proposed to the annual general meeting to be held on 28 August 2019.

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REPORT OF THE BOARD OF MANAGEMENT (continued)

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

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

BY ORDER OF THE BOARD

I Dickson
Board Member

Date: July 23 2019

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

LINK GROUP LIMITED

BOARD OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS

Internal Financial Control

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

Corporate Governance

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

Management Structure

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

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

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

Policies

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

Procedure Manuals

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

Quality and Integrity of Personnel

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

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

Identification of Business Risks

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

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

Management Information Systems

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

Internal Control Systems

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

Internal Audit

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

Group Audit and Risk Committee

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

Development Committee

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

Remuneration Committee

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

LINK GROUP LIMITED

BOARD OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS (continued)

Health & Safety

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

Statement

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

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

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

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

The Board has continued to review the system of internal financial control in Link during the year ended 31 March 2019 and internal financial control systems of the wider group including all subsidiary companies. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements, or in the auditor's report on the financial statements.

BY ORDER OF THE BOARD

I Dickson
Board Member

Date: July 23 2019

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

LINK GROUP LIMITED

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

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

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

I Dickson
Board Member

Date: July 23 2019

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

Opinion

We have audited the financial statements of Link Group Limited ("the association") for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, the Association Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Association Statement of Financial Position, the Consolidated Statement of Changes in Reserves, the Association Statement of Changes in Reserves, the Consolidated Statement of Cash Flows, the Association Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2019 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group and association's business model, including the impact of Brexit, and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the association will continue in operation.

Other information

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

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

Other information (continued)

We are required to report to you if:

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

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Board's responsibilities

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

Auditor's responsibilities

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

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

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

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010 and to the charity's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

Saltire Court
Castle Terrace
Edinburgh
EH1 2EG

Date:

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Turnover	2a	65,210	67,116
Operating expenditure	2a	(53,947)	(55,217)
Gain on revaluation of investment properties		-	780
Operating surplus	2a	<u>11,263</u>	<u>12,679</u>
Interest receivable		54	22
Interest and financing costs	6	(6,714)	(6,621)
Other finance charges		(64)	(82)
(Loss)/Gain on sale of non-housing assets		-	(2)
Surplus on ordinary activities before taxation		<u>4,539</u>	<u>5,996</u>
Taxation		<u>-</u>	<u>-</u>
Surplus for the year		<u>4,539</u>	<u>5,996</u>
Remeasurement of the defined benefit pension liability		(308)	768
Total comprehensive income for the year		<u><u>4,231</u></u>	<u><u>6,764</u></u>

The results for the year relate wholly to continuing activities.

The notes on pages 25 to 59 form part of these accounts.

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Turnover	2b	42,996	45,084
Operating expenditure	2b	(36,187)	(37,289)
Gain on revaluation of investment properties		-	780
Operating surplus	2b	<u>6,809</u>	<u>8,575</u>
Interest receivable		19	2
Interest and financing costs	6	(5,848)	(5,759)
Other finance charges		(19)	(32)
Income from subsidiary undertakings		1,454	1,280
Surplus on ordinary activities before taxation		<u>2,415</u>	<u>4,066</u>
Taxation		-	-
Surplus for the year		<u>2,415</u>	<u>4,066</u>
Remeasurement of the defined benefit pension liability		110	308
Total comprehensive income for the year		<u><u>2,525</u></u>	<u><u>4,374</u></u>

The results for the year relate wholly to continuing activities.

The notes on pages 25 to 59 form part of these accounts.

LINK GROUP LIMITED**STATEMENT OF CHANGES IN RESERVES AS AT 31 MARCH 2019****CONSOLIDATED STATEMENT OF CHANGES IN RESERVES**

	Revenue Reserve £'000	Restricted Reserve £'000	2019 Total £'000	2018 Total £'000
Balance as at 1 April 2018	93,955	89	94,044	87,280
Surplus from Statement of Comprehensive Income	4,592	(53)	4,539	6,027
Release of provision for pension liabilities	-	-	-	-
Remeasurement of the defined benefit pension liability	(308)	-	(308)	737
Balance as at 31 March 2019	98,239	36	98,275	94,044

LINK GROUP LIMITED STATEMENT OF CHANGES IN RESERVES

	Revenue Reserve £'000	2019 Total £'000	2018 Total £'000
Balance as at 1 April 2018	64,093	64,093	59,719
Surplus from Statement of Comprehensive Income	2,415	2,415	4,066
Release of provision for pension liabilities	-	-	-
Remeasurement of the defined benefit pension liability	110	110	308
Balance as at 31 March 2019	66,618	66,618	64,093

The notes on pages 25 to 59 form part of these accounts.

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Intangible Assets	11a	312	343
Non-Current Assets			
Tangible fixed assets;			
Housing properties	12a	539,395	485,667
Investments - property	12c	10,330	10,330
Investments - other	14	-	1
Other fixed assets	13	9,100	9,383
		<u>559,137</u>	<u>505,724</u>
Current assets			
Work in progress & stocks	15	4,049	2,464
Trade and other debtors	16	9,548	7,007
Investments		4,041	2,025
Cash and cash equivalents		36,948	18,478
		<u>54,586</u>	<u>29,974</u>
Creditors: amounts falling due within one year	17	(39,523)	(40,995)
Net current assets/(liabilities)		<u>15,063</u>	<u>(11,021)</u>
Total assets less current liabilities		<u>574,199</u>	<u>494,703</u>
Creditors: amounts falling due after more than one year	18	(175,494)	(138,944)
Deferred income	19	(298,499)	(259,720)
Pension scheme liability	29	(1,931)	(1,995)
Net assets		<u>98,275</u>	<u>94,044</u>
Capital and reserves			
Share capital		-	-
Restricted reserve		36	89
Revenue reserve		98,239	93,955
Total reserves		<u>98,275</u>	<u>94,044</u>

Approved and authorised for issue by the Board of Management on 23 July 2019 and signed on its behalf by:-

R Martin, Board Member

I Dickson, Board Member

J N Hall, Secretary

The notes on pages 25 to 59 form part of these accounts.

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Intangible Assets	11b	279	277
Non-Current Assets			
Tangible fixed assets;			
Housing properties	12b	450,421	392,098
Investments - property	12c	10,330	10,330
Other tangible fixed assets	13b	7,003	7,174
Intangible non-current assets			
Investments - other	14	100	100
		<u>468,133</u>	<u>409,702</u>
Current assets			
Work in progress	15	3,388	2,141
Trade and other debtors	16	13,435	8,776
Cash and cash equivalents		18,878	2,949
		<u>35,701</u>	<u>13,866</u>
Creditors: amounts falling due within one year	17	(23,897)	(30,135)
Net current assets/(liabilities)		<u>11,804</u>	<u>(16,269)</u>
Total assets less current liabilities		479,937	393,710
Creditors: amounts falling due after more than one year	18	(151,000)	(110,000)
Deferred income	19	(261,780)	(218,822)
Pension scheme liability	29	(539)	(795)
Total net assets		<u><u>66,618</u></u>	<u><u>64,093</u></u>
Capital and reserves			
Share capital		-	-
Revenue reserve		66,618	64,093
Total reserves		<u><u>66,618</u></u>	<u><u>64,093</u></u>

Approved and authorised for issue by the Board of Management on 23 July 2019 and signed on its behalf by:-

R Martin, Board Member

I Dickson, Board Member

J N Hall, Secretary

The notes on pages 25 to 59 form part of these accounts

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Net cash inflow generated from operating activities	26	25,671	20,873
Investing activities			
Acquisition and construction of properties		(72,514)	(56,719)
Purchase of other fixed assets		(324)	(1,035)
(Purchase)/Disposal of short term Investment		(1,026)	990
Proceeds on disposal of fixed assets		663	1,925
Grants received		49,913	34,952
Grants repaid		(337)	(619)
Interest received on cash and cash equivalents		54	22
Net cash outflow from investing activities		<u>(23,571)</u>	<u>(20,484)</u>
Financing activities			
Interest paid on loans		(6,707)	(6,617)
New loans		24,165	10,955
Loan principal repayments		(1,089)	(1,003)
Net cash inflow from financing activities		<u>16,369</u>	<u>3,335</u>
Increase/(Decrease) in cash		<u>18,469</u>	<u>3,724</u>
Opening cash and cash equivalents		<u>18,478</u>	<u>14,754</u>
Closing cash and cash equivalents		<u>36,947</u>	<u>18,478</u>

The notes on pages 25 to 59 form part of these accounts

LINK GROUP LIMITED

LINK GROUP LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'000	2018 £'000
Net cash inflow generated from operating activities	26	17,159	11,353
Investing activities			
Acquisition and construction of properties		(70,802)	(50,052)
Purchase of other fixed assets		(361)	(650)
Proceeds on disposal of fixed assets		663	1,668
Grants received		52,399	30,877
Grants repaid		(303)	(535)
Interest received on cash and cash equivalents		19	2
Net cash outflow from investing activities		(18,385)	(18,690)
Financing activities			
Interest paid on loans		(5,845)	(5,755)
New loans		23,000	10,000
Loan principal repayments		-	-
Net cash inflow from financing activities		17,155	4,245
Increase/(Decrease) in cash		15,929	(3,092)
Opening cash and cash equivalents		2,949	6,041
Closing cash and cash equivalents		<u>18,878</u>	<u>2,949</u>

The notes on pages 25 to 59 form part of these accounts

LEGAL STATUS

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

1 ACCOUNTING POLICIES

(a) Basis of accounting

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

(b) Basis of consolidation

The group financial statements consolidate those of Link Group Limited and of its subsidiary undertakings drawn up to 31 March 2019. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

(c) Going concern

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

(d) Investments in subsidiaries

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

(e) Financial instruments - loans

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

(f) Bad and doubtful debts

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

(g) Tangible fixed assets - housing land and buildings

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

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

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

(i) Grants

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

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

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

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

(j) Mortgages

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

(k) Depreciation and impairment

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

Housing land and buildings

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

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

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

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

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

ACCOUNTING POLICIES (continued)

(k) Depreciation and impairment (continued)

Other fixed assets

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

(l) Work in progress

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

(m) Impairment of fixed assets

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

(n) Shared Ownership transactions

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

(o) Apportionment of management expenses

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

(p) Pensions

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

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

(q) Value Added Tax

Link Group has group registration for VAT purposes. A large proportion of Link Group's income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. For 2018/19, only a small proportion of VAT paid is recoverable, expenditure is therefore shown inclusive of VAT and any input VAT recovered is included in other income.

(r) Lease obligations

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

(s) Deposits and liquid resources

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

(t) Trade Debtors and Creditors

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

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

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

(u) Provisions

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

(v) Taxation

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

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

(w) Acquisition accounting

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

(x) Gift Aid accounting

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

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

(y) Turnover

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

(z) Restricted reserves

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

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	2019 Turnover	2019 Operating costs	2019 Operating surplus/ (deficit)	2018 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 3a)	49,407	(38,310)	11,097	11,666
Other activities (note 4a)	15,803	(15,637)	166	1,013
2019 Total	65,210	(53,947)	11,263	12,679
2018 Total	67,896	(55,217)	12,679	

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

	2019 Turnover	2019 Operating costs	2019 Operating surplus/ (deficit)	2018 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000
Affordable letting activities (note 3b)	37,509	(29,061)	8,448	9,047
Other activities (note 4b)	5,487	(7,126)	(1,639)	(472)
2019 Total	42,996	(36,187)	6,809	8,575
2018 Total	45,864	(37,289)	8,575	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	General Needs housing £'000	Supported housing £'000	Shared ownership £'000	2019 Total £'000	2018 Total £'000
Revenue from rent and service charges					
Rents receivable (net of service charges)	40,063	185	1,163	41,411	39,571
Service charges receivable	1,563	-	18	1,581	1,588
Gross income from rent and service charges	41,626	185	1,181	42,992	41,159
Less: rent losses from voids	(346)	(12)	-	(358)	(384)
Net income from rent and service charges	41,280	173	1,181	42,634	40,775
Revenue Grants					
Grants released from deferred income	5,787	71	269	6,127	6,091
Revenue grants from Scottish Ministers	264	-	-	264	207
Other revenue grants	382	-	-	382	411
Total turnover from affordable letting activities	47,713	244	1,450	49,407	47,484
Expenditure					
Management and maintenance administration costs	9,690	20	138	9,848	8,800
Service costs	1,659	-	8	1,667	1,642
Planned and cyclical maintenance & major repair costs	2,900	-	-	2,900	2,983
Reactive maintenance costs	9,776	7	-	9,783	8,328
Bad debts – rents & service charges	307	6	-	313	265
Depreciation of affordable let properties	13,272	89	363	13,724	13,517
Loss on disposal of components	75	-	-	75	283
Operating costs for affordable letting activities	37,679	122	509	38,310	35,818
Operating surplus for affordable lettings 2019	10,034	122	941	11,097	11,666
Operating surplus for affordable lettings 2018	10,597	101	968	11,666	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2018 - £nil). The cost of property components capitalised in the year was £4,039,470 (2018 - £4,636,144).

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	General Needs housing £'000	Supported housing £'000	Shared ownership £'000	2019 Total £'000	2018 Total £'000
Revenue from rent and service charges					
Rents receivable (net of service charges)	31,104	-	1,038	32,142	30,634
Service charges receivable	-	-	-	-	-
Gross income from rent and service charges	31,104	-	1,038	32,142	30,634
Less: rent losses from voids	(286)	-	-	(286)	(329)
Net income from rent and service charges	30,818	-	1,038	31,856	30,305
Revenue Grants					
Grants released from deferred income	4,996	47	250	5,293	5,170
Other income revenue grants	360	-	-	360	275
Total turnover from affordable letting activities	36,174	47	1,288	37,509	35,750
Expenditure					
Management and maintenance administration costs	6,997	9	115	7,121	6,374
Planned and cyclical maintenance & major repair costs	4,507	-	-	4,507	3,981
Reactive maintenance costs	5,866	-	-	5,866	5,001
Bad debts – rents & service charges	239	-	-	239	198
Depreciation of affordable let properties	10,900	48	331	11,279	10,741
Loss on disposal of components	49	-	-	49	408
Operating costs for affordable letting activities	28,558	57	446	29,061	26,703
Operating surplus / (deficit) for affordable lettings 2019	7,616	(10)	842	8,448	9,047
Operating surplus / (deficit) for affordable lettings 2018	8,201	(10)	856	9,047	

The cost of property components capitalised in the year was £2,965,116 (2018 - £3,586,204)

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting people income £'000	Other income £'000	Total turnover 2019 £'000	Operating costs Bad debts 2019 £'000	Other operating costs 2019 £'000	Operating surplus / (deficit) 2019 £'000	Operating surplus / (deficit) 2018 £'000
Wider role activities	79	166	-	58	303	-	(1,268)	(965)	(1,091)
Care and repair of property	234	153	-	20	407	-	(376)	31	19
Factoring	-	-	-	389	389	-	(544)	(155)	(206)
Development and construction of property activities	-	-	-	363	363	-	(747)	(384)	(508)
Support activities	-	508	2,810	690	4,008	-	(4,525)	(517)	(248)
Contracted out services undertaken for RSLs	-	-	-	251	251	-	71	322	76
Contracted out services undertaken for other organisations	-	-	-	4,059	4,059	-	(4,196)	(137)	(570)
Developments and improvements for sale to non-RSLs	-	-	-	1,152	1,152	-	(1,052)	100	381
Gain on revaluation of investment properties	-	-	-	-	-	-	-	-	780
Business & other development costs	-	-	-	-	-	-	(308)	(308)	(389)
Publicity and Promotion	-	-	-	-	-	-	(377)	(377)	(278)
Shared Equity Sales Administration	2,316	-	-	270	2,586	-	(1,348)	1,238	1,117
Investment property activities	-	-	-	881	881	-	(73)	808	813
Gain on sale of properties	-	-	-	663	663	-	(215)	448	978
Other activities	-	46	-	695	741	-	(679)	62	139
Total from other activities 2019	2,629	873	2,810	9,491	15,803	-	(15,637)	166	1,013
Total from other activities 2018	2,530	553	1,956	15,373	20,412	-	(19,399)	1,013	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting people income £'000	Other income £'000	Total turnover 2019 £'000	Operating costs 2019 £'000	Operating surplus / (deficit) 2019 £'000	Operating surplus / (deficit) 2018 £'000
Wider role activities	-	-	-	-	-	(1,003)	(1,003)	(1,051)
Care and repair of property	234	-	-	-	234	(234)	-	-
Investment property activities	-	-	-	881	881	(73)	808	813
Factoring	-	-	-	-	-	(47)	(47)	(48)
Development and construction of property activities	-	-	-	-	-	(432)	(432)	(508)
Care & support activities	-	-	-	-	-	(541)	(541)	(500)
Contracted out services undertaken for RSLs	-	-	-	371	371	(246)	125	11
Contracted out services undertaken for other organisations	-	-	-	2,104	2,104	(2,259)	(155)	(274)
Development and improvements for sale to non RSLs (incl. shared ownership 1 st tranches & shared equity sales)	-	-	-	1,152	1,152	(1,052)	100	381
Gain on revaluation of investment properties	-	-	-	-	-	-	-	780
Business & other development costs	-	-	-	-	-	(308)	(308)	(389)
Publicity and Promotion	-	-	-	-	-	(377)	(377)	(278)
Shared equity and sales administration	-	-	-	-	-	(300)	(300)	(343)
Gain on sale of properties	-	-	-	663	663	(254)	409	833
Other activities	-	-	-	82	82	-	82	101
Total from other activities 2019	234	-	-	5,253	5,487	(7,126)	(1,639)	(472)
Total from other activities 2018	300	14	-	9,800	10,114	(10,586)	(472)	

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

In the year to 31 March 2019 the consolidated Statement of Comprehensive Income included a gain on disposal of housing properties of £447,649 (2018: £977,760). Link Group Limited (parent) achieved a gain on disposal of housing properties of £409,511 compared to a gain in 2018 of £833,053. During the year, Link continued to sell properties under the Right to Buy legislation and also the onward sale of shared ownership tranches.

6. INTEREST AND FINANCING COSTS

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

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Statement of comprehensive income – Loan interest	6,714	6,621	5,848	5,759
Net interest on Net Defined Benefit Obligation	64	82	19	32
	<u>6,778</u>	<u>6,703</u>	<u>5,867</u>	<u>5,791</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

7. KEY MANAGEMENT PERSONNEL AND BOARD MEMBERS' EMOLUMENTS

Under FRS 102 Link Group Limited has defined "key management personnel" as the members of the Senior Management Group whose posts are set out on page 1 of the Report and Financial Statements.

The total emoluments of the key management personnel over £60,000, including the Chief Executive were as follows;

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Emoluments (excluding pension contributions)	824	809	464	489
Total Emoluments	902	1,020	513	545

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

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	No.	No.	No.	No.
Emoluments (including pension contributions)				
£60,000 - £69,999	3	3	-	-
£70,000 - £79,999	-	-	-	-
£80,000 - £89,999	1	1	-	-
£90,000 - £99,999	-	1	-	-
£100,000 - £109,999	2	2	1	1
£110,000 - £119,999	-	-	-	-
£120,000 - £129,999	2	-	2	-
£130,000 - £130,999	-	1	-	1
£140,000 - £149,999	1	2	1	2
	9	10	4	4

The emoluments, excluding pension contributions, of the highest paid Director, who is the Chief Executive are £134,055 (2018, £147,325). 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 £13,976 (2018, £17,240).

The total emoluments of the Chief Executive for the year was £148,031 (2018, £164,565).

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

Emoluments were paid to the following Board members.

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Ross Martin	8	-	8	-

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

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Board of Management	5	8	2	6

8. EMPLOYEES

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Staff costs during the year:				
Wages and salaries	18,318	17,208	4,780	4,458
Social security costs	1,673	1,583	486	455
Other pension costs	1,344	1,194	417	388
	21,335	19,985	5,683	5,301

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	No.	No.	No.	No.
The average number of persons employed during the year	645	638	123	123
The average number of full time equivalent persons employed during the year	593	585	115	117

9. AUDITOR'S REMUNERATION

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Audit of these financial statements	39	18	39	18
Audit of financial statements of subsidiaries	56	57	-	-
Taxation compliance services	10	10	3	4
	105	85	42	22

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

10. HOUSING STOCK – LINK GROUP

Analysis of housing stock by accommodation type

	Units in management		Units under development	
	31 March 2019 Units	31 March 2018 Units	31 March 2019 Units	31 March 2018 Units
Link Group Limited				
Housing accommodation for letting	7,200	7,120	1,221	582
Shared bedspaces	614	593	-	-
Shared ownership accommodation	438	447	-	-
Larkfield Housing Association Limited				
Housing accommodation for letting	382	382	-	-
Horizon Housing Association				
Housing accommodation for letting	797	797	-	-
Shared ownership accommodation	29	28	-	-
Shared bedspaces	44	44	-	-
West Highland Housing Association Limited				
Housing accommodation for letting	787	787	-	-
Shared ownership accommodation	20	21	-	-
Rent to buy	50	50	-	-
Total units in management	10,361	10,269	1,221	582

Included in Link Group Limited above are 25 units currently out of management (2018 - 29) and excluded are 316 non-housing units (2018 - 316).

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

Organisation	31 March 2019 Units	31 March 2018 Units
Stirling University	84	84
Others	13	13
	<u>97</u>	<u>97</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11a. INTANGIBLE ASSETS – CONSOLIDATED

	2019 Software in use £'000	2018 Software in use £'000
Cost		
At 1 April 2018	929	929
Additions	83	-
At 31 March 2019	<u>1,012</u>	<u>929</u>
Amortisation		
At 1 April 2018	586	480
Amortised during the year	114	106
At 31 March 2019	<u>700</u>	<u>586</u>
Net book value at 31 March 2019	<u>312</u>	<u>343</u>
Net book value at 31 March 2018	<u>343</u>	

11b. INTANGIBLE ASSETS – LINK GROUP LIMITED

	2019 Software in use £'000	2018 Software in use £'000
Cost		
At 1 April 2018	731	731
Additions	83	-
At 31 March 2019	<u>814</u>	<u>731</u>
Amortisation		
At 1 April 2018	454	381
Amortised during the year	81	73
At 31 March 2019	<u>535</u>	<u>454</u>
Net book value at 31 March 2019	<u>279</u>	<u>277</u>
Net book value at 31 March 2018	<u>277</u>	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

12a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – CONSOLIDATED

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	2019 Total £'000	2018 Total £'000
Cost					
At 1 April 2018	564,240	22,713	52,205	639,158	585,020
Additions	4,751	64	64,353	69,168	58,531
Transfers	17,198	-	(17,198)	-	-
Disposals - initial tranches	-	-	-	-	-
- other sales	(1,517)	(360)	(1,169)	(3,046)	(4,393)
At 31 March 2019	584,672	22,417	98,191	705,280	639,158
Depreciation					
At 1 April 2018	147,243	6,248	-	153,491	142,353
Provided during the year	13,291	374	-	13,665	13,106
On disposals	(1,221)	(50)	-	(1,271)	(1,968)
At 31 March 2019	159,313	6,572	-	165,885	153,491
Net book value at 31 March 2019	425,359	15,845	98,191	539,395	485,667
Net book value at 31 March 2018	416,997	16,465	52,205	485,667	

Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2018 – nil). Total works expenditure on housing properties amounted to £5,611,830 (2018 - £5,859,297) of which £4,256,345 (2018 - £4,179,030) was capitalised and £1,355,485 (2018 - £1,680,267) was expensed. Of the £4,256,345 (2018 - £4,179,030) works capitalised, £4,256,345 (2018 - £4,536,144) were replacements and £nil (2018 - £nil) were improvements.

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

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	Housing properties held for letting £'000	Shared ownership housing properties £'000	Housing properties in course of construction £'000	2019 Total £'000	2018 Total £'000
Cost					
At 1 April 2018	453,501	20,643	48,521	522,665	474,568
Additions	3,654	-	67,637	71,291	51,857
Transfers	17,198	-	(17,198)	-	-
Disposals - initial tranches	-	-	-	-	-
- other sales	(1,194)	(342)	(1,169)	(2,705)	(3,760)
At 31 March 2019	473,159	20,301	97,791	591,251	522,665
Depreciation					
At 1 April 2018	124,595	5,972	-	130,567	121,467
Provided during the year	10,948	331	-	11,279	10,741
On disposals	(975)	(41)	-	(1,016)	(1,641)
At 31 March 2019	134,568	6,262	-	140,830	130,567
Net book value at 31 March 2019	338,591	14,039	97,791	450,421	392,098
Net book value at 31 March 2018	328,906	14,671	48,521	392,098	

Development administration costs capitalised amounted to £1,002,725 (2018 - £883,982).

Total works expenditure on housing properties amounted to £4,377,567 (2018 - £4,166,883) of which £3,181,606 was capitalised (2018 - £3,129,090) and £1,195,961 (2018 - £1,037,793) was expensed. Of the works capitalised, £3,181,606 (2018 - £3,129,090) were replacements and £nil (2018 - £nil) were improvements. Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2018 - nil).

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

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

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

	2019	2018
	£'000	£'000
Balance at 1 April	10,330	9,550
Unrealised gain on revaluation	-	780
Balance at 31 March	<u>10,330</u>	<u>10,330</u>
Historic cost of investment properties	6,563	6,563
Accumulated depreciation	<u>(3,441)</u>	<u>(3,301)</u>
Historic cost net book value	<u>3,122</u>	<u>3,262</u>

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

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

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

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	2019 Total £'000	2018 Total £'000
Cost					
At 1 April 2018	10,119	2,275	221	12,615	11,651
Additions	6	243	-	249	1,104
Disposals	-	(313)	-	(313)	(140)
At 31 March 2019	10,125	2,205	221	12,551	12,615
Depreciation					
At 1 April 2018	2,194	922	116	3,232	2,833
Provided during the year	215	281	36	532	527
On disposals	-	(313)	-	(313)	(128)
At 31 March 2019	2,409	890	152	3,451	3,232
Net book value at 31 March 2019	7,716	1,315	69	9,100	9,383
Net book value at 31 March 2018	7,925	1,353	105	9,383	

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

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	2019 Total £'000	2018 Total £'000
Cost					
At 1 April 2018	8,590	1,020	18	9,628	8,959
Additions	6	203	-	209	719
Disposals	-	-	-	-	(50)
At 31 March 2019	8,596	1,223	18	9,837	9,628
Depreciation					
At 1 April 2018	1,844	592	18	2,454	2,126
Provided during the year	172	208	-	380	378
On disposals	-	-	-	-	(50)
At 31 March 2019	2,016	800	18	2,834	2,454
Net book value at 31 March 2019	6,580	423	0	7,003	7,174
Net book value at 31 March 2018	6,746	428	-	7,174	

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)****14. INVESTMENTS****Subsidiary Undertakings**

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

At 31 March 2019 Link Group Limited held 100% share capital of the subsidiary undertakings listed above, with the exception of Larkfield Housing Association, West Highland Housing Association, Horizon Housing Association and Lintel Trust where Link Group Limited has control of the appointment of the Board of Management.

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

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

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

14. INVESTMENTS (continued)

At 31 March 2019 West Highland Housing Association Limited held 100% share capital of the following subsidiary undertakings:

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

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

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

	Shares in group undertakings 2019 £'000	Shares in group undertakings 2018 £'000
Cost		
As at 1 April 2018 and 31 March 2019	100	100

15. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 April 2018	2,464	6,225	2,141	6,046
Expenditure on development properties	3,847	2,490	3,509	2,346
Cost of disposals transferred to cost of sales	(2,262)	(6,251)	(2,262)	(6,251)
At 31 March 2019	4,049	2,464	3,388	2,141

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

16. DEBTORS

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Arrears of rent and service charges	1,697	1,628	1,232	1,199
Less: Payment plan adjustment	(55)	(40)	(45)	(31)
Less: provision for bad and doubtful debts	(654)	(595)	(451)	(411)
Net rental debtors	988	993	736	757
SHG receivable	3,492	2,172	3,019	2,081
Revenue grants receivable	42	-	-	-
Other debtors (less provision £35,838 2018 - £75,357)	4,103	3,353	1,001	396
Prepayments	923	489	595	261
Due from subsidiaries	-	-	8,084	5,281
	9,548	7,007	13,435	8,776

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

17. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Housing loans – current instalments due (Note 18)	5,622	19,095	-	18,000
Shared equity grants	5,484	3,297	2,864	1,058
Trade and other creditors	18,424	13,320	13,732	8,075
Taxation and social security	477	492	462	478
Pension contributions	153	144	154	145
Accruals	3,597	3,548	988	1,237
Housing Grants in advance	4,578	133	4,578	133
Rents in advance	1,188	966	814	651
Amounts owed to group undertakings	-	-	305	358
	39,523	40,995	23,897	30,135

Included in trade and other creditors is an amount of £775,000 (2018 - £775,000), representing a grant repayable to the Scottish Government. The amount repayable relates to grant aided flats, which were demolished following the discovery of serious structural defects. Link does not consider the grant repayment to be equitable and has made representations to the Scottish Government for further abatement, although in the accounts the full amount repayable has been provided.

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

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loan Facilities	175,494	138,944	151,000	110,000

HOUSING LOANS

	Consolidated		Link Group Ltd	
Analysis of loan facilities	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Housing loans				
Fixed Rate				
Advanced by banks	63,060	55,318	51,000	43,000
Advanced by building societies	7,003	7,427	-	-
Advanced by private lenders	61,294	61,396	60,000	60,000
Variable Rate				
Advanced by banks	44,920	30,593	40,000	25,000
Advanced by building societies	4,837	3,305	-	-
	181,114	158,039	151,000	128,000

The group has loan facilities of £243.2m, of which £181m had been drawn down as at 31 March 2019 (2018 - £158m). The loan facilities are secured over a number of the Association's housing properties. The repayment terms vary between 3 and 29 years.

Interest on the loans was charged at interest rates between 0.79% and 5.50% (2018, between 0.64% and 5.5%)

Analysis of maturity of debt

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts repayable:				
In one year or less, or on demand	5,622	19,095	-	18,000
Between one and two years	1,062	5,555	-	-
Between two and five years	51,389	3,362	48,000	-
	58,073	28,012	48,000	18,000
In five years or more	123,041	130,027	103,000	110,000
	181,114	158,039	151,000	128,000

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)****19. DEFERRED INCOME**

Social Housing Grants	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Balance as at 1 April	259,720	232,682	218,822	194,801
Additions	45,230	33,732	48,554	29,726
Released/repaid as a result of property disposals	(337)	(619)	(303)	(535)
Amortised during year	(6,114)	(6,075)	(5,293)	(5,170)
Balance as at 31 March	<u>298,499</u>	<u>259,720</u>	<u>261,780</u>	<u>218,822</u>

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

20. SHARE CAPITAL

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
Shares of £1 each fully paid and issued	No.	No.	No.	No.
At beginning of the year	449	450	159	167
Shares issued during the year	14	16	5	1
Shares surrendered during the year	(11)	(17)	(1)	(9)
At end of year	<u>452</u>	<u>449</u>	<u>163</u>	<u>159</u>

21. CAPITAL COMMITMENTS

At 31 March 2019 authorised and contracted commitments outstanding amounted to approximately £239m for Link Group Limited (2018 - £54.2m) and £241m for the group (2018 – £56.2m).

22. CONTINGENT LIABILITIES

Office Repairs

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

Financial Guarantee

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

23. RELATED PARTIES

During the year and at March 2019 one tenant had served as a Board Member, and the sister of one Board Member was also a tenant. These tenancies were on normal commercial terms and neither of the tenants could use their position to their advantage. One Board Member works for a supplier of services to Link Group, and again any transaction is on a normal commercial basis.

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

24. OBLIGATIONS UNDER LEASES

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

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	58	58	9	9
In over five years	10	10	1	1
	<u>68</u>	<u>68</u>	<u>10</u>	<u>10</u>

25. FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities include:

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Assets measured at amortised cost	49,614	26,821	31,687	11,464
Liabilities measured at amortised cost	(28,135)	(20,061)	(18,454)	(11,351)
Loan commitments measured at cost less no impairment	(181,114)	(142,808)	(151,000)	(128,000)

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

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

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Surplus for the year	4,539	5,996	2,415	4,066
Depreciation of tangible fixed assets	14,197	13,633	11,658	11,119
Amortisation of intangible fixed assets	114	106	81	73
(Increase)/ Decrease in debtors	(963)	259	(3,721)	(2,236)
Increase/(Decrease) in creditors	4,027	(2,789)	6,556	(5,696)
Decrease/(Increase) in stock	2,177	3,762	(1,246)	3,905
Carrying amount of tangible fixed asset disposals	1,774	2,437	1,689	2,119
Proceeds from the sale of fixed assets	(663)	(1,925)	(663)	(1,668)
Government grants utilised in the year	(6,127)	(6,075)	(5,293)	(5,170)
Interest payable	6,714	6,621	5,848	5,759
Interest received	(54)	(22)	(19)	(2)
Pension cost less contributions payable	(64)	(350)	(146)	(136)
Unrealised gain on revaluation of investment properties	-	(780)	-	(780)
Net cash inflow from operating activities	25,671	20,873	17,159	11,353

27. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

	Consolidated		Link Group Ltd	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Increase/(decrease) in cash in year	18,469	3,724	15,929	(3,092)
Cash flow from changes in liquid resources	2,016	(990)	-	-
Loan repaid	1,089	1,003	-	-
Cash received from new loans	(24,165)	(10,955)	(23,000)	(10,000)
Change in net debt	(2,591)	(7,218)	(7,071)	(13,092)
Net debt at 1 April 2018	(137,536)	(130,318)	(125,051)	(111,959)
Net debt at 31 March 2019	(140,127)	(137,536)	(132,122)	(125,051)

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

28. ANALYSIS OF CHANGES IN FINANCING DURING THE CURRENT YEAR

	As At 1 April 2018 £'000	Cash flows £'000	At 31 March 2019 £'000	Link Group Ltd		
				As At 1 April 2018 £'000	Cash flows £'000	At 31 March 2019 £'000
Cash at bank and in hand	18,478	18,469	36,948	2,949	15,929	18,878
Term deposit	2,025	2,016	4,041	-	-	-
Debt due within one year	(19,095)	13,473	(5,622)	(18,000)	18,000	-
Debt due outwith one year	(138,944)	(36,550)	(175,494)	(110,000)	(41,000)	(151,000)
	<u>(137,536)</u>	<u>(2,591)</u>	<u>(140,127)</u>	<u>(125,051)</u>	<u>(7,071)</u>	<u>(132,122)</u>

29. PENSIONS

29a. Defined Contribution Scheme

Link Group Limited offers all staff membership to the Link Group Defined Contribution scheme, with employer contribution rates of up to 9%.

As at the balance sheet date, there were 598 members of staff who were members of the Link group personal pension scheme (2018, 528), of whom 114 are employed by Link Group Limited (2018, 116). 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 2019 amounted to £1,328,803(2018 £1,021,813), of which £416,755 was made in relation to Link Group Limited staff (2018 £388,763).

29b. Defined Benefit Scheme

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

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

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

This volatility of contribution amounts can be to the detriment of the Association's cashflows and impacts on the statement of comprehensive income. The volatility of the Scheme's liabilities against the assets held impacts on the Association's statement of financial position.

The Scheme is a funded defined benefit arrangement. All monetary figures are shown in £'000s sterling.

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

29b. Defined Benefit Scheme (continued)

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

Key Assumptions

	2019	2018
Discount Rate	2.55%	2.70%
Salary Increases	2.35%	2.20%
Inflation (RPI)	3.35%	3.20%
Inflation (CPI)	2.35%	2.20%
Allowance for cash commutation	75% of maximum allowance	75% of maximum allowance

Mortality Assumptions

	Life Expectancy at the age of 65 (Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

29b. Defined Benefit Scheme (continued)

CONSOLIDATED

Amounts Recognised in Statement of Financial Position

	2019 £'000	2018 £'000
Fair value of scheme assets	14,789	13,424
Present value of benefit obligation	(16,720)	(15,419)
Net pension liability	<u>(1,931)</u>	<u>(1,995)</u>

	2019 £'000	2018 £'000
Amounts Recognised in Statement of Comprehensive Income		
Current service costs	21	14
Administration costs	13	13
Net interest on net defined benefit obligation	64	82
Total pension cost recognised in Statement of Comprehensive Income	<u>98</u>	<u>109</u>

	2019 £'000	2018 £'000
Changes in Defined Benefit Obligation		
Opening Defined Benefit Obligation	15,419	16,137
Employer Service Cost	21	14
Interest Expense	452	446
Employee Contributions	13	13
Actuarial Losses/(Gains)	1,150	(751)
Benefits Paid	(336)	(440)
Closing Defined Benefit Obligation	<u>16,719</u>	<u>15,419</u>

	2019 £'000	2018 £'000
Changes in Fair Value of Scheme Assets		
Opening Fair Value of Scheme Assets	13,424	13,024
Actual Return on Scheme Assets less Interest Income	842	17
Interest income	375	366
Employer Contributions	471	457
Employee Contributions	13	13
Benefits Paid	(336)	(440)
Administration costs	-	(13)
Closing Fair Value of Scheme Assets	<u>14,789</u>	<u>13,424</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

29b. Defined Benefit Scheme (continued)

	2019 £'000	2018 £'000
Other Comprehensive Income		
Actual return on plan assets less interest income on plan assets	842	17
Actuarial (losses)/gains	(1,150)	751
Remeasurement gains and losses recognised in other comprehensive income	(308)	768

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

	2019 £'000	2018 £'000
Global Equity	2,379	2,416
Absolute Return	1,253	1,594
Distressed Opportunity	252	60
Credit Relative Value	257	-
Alternative Risk Permia	827	508
Fund of Hedge Funds	40	385
Emerging Market Debt	473	459
Risk Sharing	428	123
Insurance-Linked Securities	384	367
Property	294	530
Infrastructure	620	244
Private Debt	191	125
Corporate Bond Fund	1,037	938
Long Lease Property	179	-
Secured Income	516	491
Over 15 Year Gilts	380	434
Index Linked All Stock Gilts	-	-
Liability Driven Investment	5,263	4,726
Net Current Assets	16	25
Total Assets	14,789	13,424

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)****29b. Defined Benefit Scheme (continued)****LINK GROUP LIMITED****Amounts Recognised in Statement of Financial Position**

	2019	2018
	£'000	£'000
Fair value of scheme assets	5,531	5,217
Present value of benefit obligation	(6,069)	(6,012)
Net pension liability	<u>(538)</u>	<u>(795)</u>

	2019	2018
	£'000	£'000
Amounts Recognised in Statement of Comprehensive Income		
Current service costs	21	14
Administration costs	5	5
Net interest on net defined benefit obligation	19	32
Total pension cost recognised in Statement of Comprehensive Income	<u>45</u>	<u>51</u>

	2019	2018
	£'000	£'000
Changes in Defined Benefit Obligation		
Opening Defined Benefit Obligation	6,012	6,335
Employer Service Cost	21	14
Interest Expense	164	175
Employee Contributions	13	13
Actuarial Gains	(22)	(354)
Benefits Paid	(119)	(171)
Closing Defined Benefit Obligation	<u>6,069</u>	<u>6,012</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

29b. Defined Benefit Scheme (continued)

	2019	2018
	£'000	£'000
Changes in Fair Value of Scheme Assets		
Opening Fair Value of Scheme Assets	5,217	5,096
Actual Return on Scheme Assets less Interest Income	88	(46)
Interest income	140	143
Employer Contributions	192	187
Employee Contributions	13	13
Benefits Paid	(119)	(171)
Administration costs	-	(5)
Closing Fair Value of Scheme Assets	<u>5,531</u>	<u>5,217</u>
Other Comprehensive Income	2019	2018
	£'000	£'000
Actual return on plan assets less interest income on plan assets	88	(46)
Actuarial gains / (losses)	22	354
Remeasurement gains and losses recognised in other comprehensive income	<u>110</u>	<u>308</u>

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

	2019	2018
	£'000	£'000
Global Equity	890	927
Absolute Return	469	611
Distressed Opportunity	94	23
Credit Relative Value	96	-
Alternative Risk Permia	309	195
Fund of Hedge Funds	15	148
Emerging Market Debt	177	176
Risk Sharing	160	47
Insurance-Linked Securities	144	141
Property	110	203
Infrastructure	232	94
Private Debt	71	48
Corporate Bond Fund	388	360
Long Lease Property	67	-
Secured Income	193	189
Over 15 Year Gilts	142	166
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,968	1,813
Net Current Assets	6	10
Total Assets	<u>5,531</u>	<u>5,151</u>

30. MATERIAL ESTIMATES AND JUDGEMENTS

Valuation of Investment Property

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

Pension

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

Debtors

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