

LINK GROUP LIMITED



**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

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

Scottish Charity No: SC001026

The Scottish Housing Regulator No: HAL 148

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LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2021

BOARD OF MANAGEMENT

R Martin (Chairman)	C Donaldson (Resigned July 2021)	J Prichard
C Allan	J Flaherty	P Kerr
P Biberbach	D Mackie	
S Blackhall	R MacDougall (Resigned March 2021)	
C Cuthbertson	A Smith	
I Dickson	D Bittleston	

CHIEF EXECUTIVE AND DIRECTORS

Chief Executive	J Turner
Group Director of Corporate Services/Company Secretary	J N Hall
Group Director of Communities	S Smith
Group Commercial Director	C Culross
Director of Human Resources and Business Support	H Bayne
Group Finance Director	N Pollard
Chief Executive of Housing Services	J Green
Area Manager, Larkfield Housing Association	L Griffin
Chief Executive, Horizon Housing Association	L Cameron
Chief Executive, West Highland Housing Association	L McInnes

AUDITOR

RSM UK Audit LLP
First Floor, Quay 2
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Edinburgh
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BANKER

Bank of Scotland
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Edinburgh
EH2 3EW

SOLICITOR

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Edinburgh
EH3 9WJ

INTERNAL AUDITOR

Azets
25 Bothwell Street
Glasgow
G2 6NL

Harper Macleod LLP
45 Gordon Street
Glasgow
G1 3PE

FUNDERS

Royal Bank of Scotland
M&G Investments
Allia Social Impact Investments

Bank of Scotland
Canada Life

Santander Corporate Banking
MetLife

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LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2021

The Board presents its report and the group financial statements for the year ended 31 March 2021. The report includes the Strategic report requirements and disclosures as set out in the Housing SORP 2018 - 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 subsidiary companies known as “partners”.

Link Group Limited, Horizon Housing Association, Larkfield Housing Association, West Highland Housing Association (all of which have charitable status) are the four RSLs in the group. As RSL partners, Larkfield, Horizon, and West Highland retain their assets, names and identities.

The results of all the partners 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 partners are included in Note 14 to the financial statements.

Each RSL partner has entered into an Intra-Group Agreement with Link which sets out the respective roles and responsibilities of each party. The 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. Link has the power to appoint the majority of the management committee members and the circumstances where Link would exercise that power are dealt in the agreements. Some Link Group Board members are also members of partner boards.

All other members of the group are wholly owned subsidiaries of Link Group Limited and it appoints the Board members of partner companies on the recommendation of the partner company’s Board.

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

Group Strategy and Objectives

Link’s Board sets 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:

- **Providing Homes** – we will continue to build new homes that meet people’s needs and ensure that our homes are well maintained, efficient to heat, and adaptable.
- **Building Communities** - we will work with people to improve their communities and support wider community and social enterprise development.
- **Valuing People** - we will learn from our customers and support people to reach their potential.
- **Working Together** - we will ensure that we use our resources effectively and maximise our impact.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2021 (continued)

Link provides a diverse range of services to tenants and service users and are active in all of Scotland's Local Authority areas. The Board recognise, and value, the specialist expertise that the partner 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 partners to adapt strategic plans reflecting local priorities.

Operating Performance

Link monitors group performance through comparisons against peers as well as other RSLs which form part of the Scottish Housing Network benchmarking group and using Scottish Housing Regulator data. The Board is satisfied that Link is performing strongly compared to other housing providers and is achieving high quality outcomes when compared across the sector. 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 operationally but also it is more than comfortably achieving lending covenants, reflecting high quality financial performance.

Link's Board receives quarterly performance reports from all the partners, and it scrutinises the performance of each area of the group. 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 whilst recognising that there is always scope for improvement. The following indicators reflect some of the performance by Link compared to the Scottish RSL average.

Performance Indicator	Link Group 2020/21	Scottish Average 2020/21
Percentage of tenants who feel landlord is good at keeping them informed about services and decisions	94.27%	91.60 %
Percentage of tenants satisfied with the opportunities to participate in the landlord's decision making	89.97%	86.48 %
Percentage of tenants satisfied with overall service provided by landlord	89.50%	90.12%
Percentage of properties meeting SHQS year end	99.46%	94.09%
Percentage of tenants satisfied with quality of home	88.28%	88.12%
Average hours to complete emergency repairs	5.44 hours	3.65 hours
Percentage of tenants satisfied with repairs service	86.31%	91.66%
Percentage of tenants who feel rent for their property represents good value for money	76.43%	83.21%
Percentage collected of rent due	100.08%	99.10%
Percentage gross rent arrears of rent due	4.04%	5.67%
Percentage of rent due lost through properties being empty	0.78%	0.88%
Average calendar days to re-let properties	35.66 days	31.89 days
Percentage self-contained properties that meet EESSH	96.30%	84.40%

Link's partner, Link Property Limited (LPL), employs Link's in-house trades team to undertake the majority of the planned maintenance work as well as reactive repairs for Link. The service covers Link's three main customer bases throughout Central Scotland and services are also provided to two other partners in the group. The performance of LPL is also scrutinised by the Link Board through the quarterly performance reporting cycle. LPL continue to develop the range of their service offering and during the year established a windows replacement programme which was previously outsourced.

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REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2021 (continued)

The Link Board reviews the performance of the other RSLs in Link on a quarterly basis and annually it compares and contrasts the Link RSL partner's performance with the other RSLs in Scotland, based on the publication of the ARC results. Although each of the four Link RSLs (including Link Group Limited) 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 0.12% of rent due to the highest being 0.58% of rent due.

A high degree of efficiency in the collection of rental income and to manage rent arrears was also achieved with the rent arrears ranging from 3.72% to 4.53% of rental income due. The SHR publishes an annual engagement plan for Link which covers the group, and the 2019-20 plan did not contain any areas of attention or focus in relation to any operating performance deficiencies. The SHR has not produced engagement plans for 2020-21 due to the Covid-19 pandemic.

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

Link Housing Association (LHA) Limited is the partner company which carries out housing management functions on behalf of Link Group Limited, including the management of the social rented housing, mid-market rented housing, shared ownership and the shared equity sales functions. During the year LHA were successful in retendering for management of the City of Edinburgh Council's Private Sector Leasing scheme, which involves the management of around 1,400 properties that are let to applicants who were previously homeless. The new contract is for a period of 10 years and continues Link's strong relationship with the City of Edinburgh Council.

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, First Home Fund 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 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. 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.

In addition to the various Scottish Government supported shared equity schemes, Link has developed and sold a number of shared equity properties under an initiative entitled "New Supply Shared Equity" or NSSE.

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 2018.

In 2021 Link achieved a surplus for the year of £1.44m (2020: £0.44m) and total comprehensive income of £0.87m (2020: £0.52m). Turnover increased by approximately 2% to £47.3m (2020: £46.2m) and operating costs also increased by 6% to £41.28m (2020: £39.1m). The income from social letting activities increased by 3.1% (2020: 4.2%), increasing income by £1.27m (2020: £1.34m) and this reflects rent increases applied in April 2020 and rents received from new build completions during the year. The operating surplus from social lettings activities reduced by 7% (2020: 4.6%).

Included in operating costs is the expenditure on wider role activities of £1.5m (2020: £1.03m). The operating costs also include expenditure on reactive maintenance, planned and cyclical maintenance and major repairs, the cost of which was £10.9m (2020: £10.9m). The total investment on all maintenance activities was £12.5m (2020: £14.2m), £1.6m (2020: £3.3m) of which was treated as capital expenditure.

Link's operating surplus reduced for the period to £5.97m compared to £7.1m in 2020. Owing to the significant commitment

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REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2021 (continued)

to the development of new homes that Link made in the period borrowing costs have risen by 13.9% (2020: 23.2%). This is due to the change in drawn debt to £228m from £198m. After adjustments for interest costs and income from partners the surplus for the year increased by £0.99m compared to the prior year reduction of £1.97m. This reflects the continued investment by Link in new housing stock which once completed will contribute positively to the turnover and operating surplus.

The overall total comprehensive income for the year of £0.9m (2020: £0.5m) was achieved after meeting interest payable and related finance costs of £8.2m (2020: £7.2m) on loans borrowed to support new properties built and those in the course of construction as well as a cost associated with the re measurement of the pension liability. The results for 2021 were in line with the Board's expectations although the Covid-19 pandemic affected how Link arrived at the forecast budget destination 2020/21.

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 in part 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 met that objective with a limited number of exemptions.

Despite the significant planned maintenance investment in its stock, Link is required by the Housing SORP 2018 to depreciate its housing properties and retained surpluses are calculated after providing for depreciation of £13.7m during the period (2020: £13.7m). The depreciation is offset by amortising the grants received to build the properties which results in a credit to income of £6.3m in the period (2020: £7.2m).

At 31 March 2021, Link's total reserves amounted to £68.0m, an increase of £0.9m from 2020 when they were £67.1m. The increase in reserves is solely attributable to the surplus achieved. In addition to providing funds for community re-development, these reserves are required to support Link's future development programme, the planned maintenance investment programme and provide a hedge against risk. The total reserves in 2021 are also after recognising Link's pension liability to the Scottish Housing Association Pension scheme of £0.7m (2020: £0.3m).

The financial statements include the results of all Link subsidiaries, and the Link Group surplus is shown on page 18. In the year to 31 March 2021 the consolidated surplus for the year was £5.9m (2020: £2m), based on overall group turnover of £78.5m (2020: £70.0m). The total comprehensive income for the year was £4.1m (2020: £3.2m). The total consolidated reserves amounted to £105.6m (2020: £101.5m).

The Board reviews the financial position of all the group members on a quarterly basis when it considers the consolidated quarterly management accounts. The results for 2021 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 £95.5m (2020: £108.0m) 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 £46.9m (2020: £55.8m) with the balance funded by income from property sales, cash flow and loans drawn from Link's loan facilities.

Increase in investment in new properties reflected expenditure on the significant number of projects receiving grant approval from the Scottish Government. During 2020/21, Link completed 236 properties (2020: 108) for social rent.

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REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2021 (continued)

During the year a total of £30m was drawn down, £15m from MetLife and £15m from Royal Bank of Scotland plc (RBS) which compares to a budgeted drawdown requirement of £67m. The closing cash position at the end of the period was £16.6m.

Standard & Poors undertook their annual credit rating assessment, which was finalised in November 2020, and Link maintained its "A" rating although it was taken down one notch from last year's A+ rating.

Strong levels of liquidity are maintained with an additional £60m shelf facility potentially available from MetLife and requirements to draw on this facility will be assessed as the construction industry continues to re-open following the Covid-19 lockdown and the development programme progresses. On 31 March 2021 Link agreed a new term loan facility with RBS amounting to £60m and an extension to the revolving credit facility with RBS of £5m and an extra two years on its term.

Link is confident that it can secure further long-term finance and 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 2021, Link's fixed rate borrowings (at 94%) were outside the 80% target which reflects the natural timing of converting short to long term borrowing in phases, and this will re-adjust over the course of 2021/22.

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 along with long term funding 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 2,995 properties for rent over the five-year business plan period through to 2024/25, in addition to which Link also plans to build a further 386 properties for alternative tenures including shared equity and as an agent for others. 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 more than 1,500 mid-market rent properties under management.

Business Risks and Opportunities

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

The principal risks identified relate to potential increases in pension liabilities (mitigated by the move of group staff to defined contribution schemes) and the impact of welfare reform. 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 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.

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REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2021 (continued)

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. 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 the impact of Brexit remain as we exited Europe officially in December 2020, but the Covid-19 pandemic has deferred its effects. 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 with a stable outlook which provides an additional point of external validation of the robustness of the organisation.

Whilst Link is not actively seeking mergers or acquisitions with new partners, during the period Link entered into a competitive process for the acquisition of Weslo Housing Management Limited and its subsidiary company Weslo Initiatives Limited. Weslo Housing Management Limited owns and operates approximately 2,500 homes in and around the central belt and West Lothian area of Scotland and its wholly owned subsidiary commercial trading company Weslo Initiatives Limited looks after almost 150 Mid-Market rent homes and circa 3,500 factored owners. The close proximity of Weslo Housing Management Limited's homes to Link homes was viewed as an attractive proposition enabling efficiencies to be gained through economies of scale and returning positive business plan contributions to Link in the longer term whilst meeting the vision of Link's commitment to supporting the maintenance of high-quality affordable homes and tenant services for which it is renowned.

Following Link's success in securing preferred bidder status, Weslo Housing management limited was converted to a cooperative and community benefit society and a transfer of engagement took place on 1 June 2021.

Covid-19 Pandemic

Link has not been immune to the impact and effects of the Covid-19 Pandemic on its business albeit the majority of the impact took effect at the end of the year. Link has followed the national guidance in respect of the provision of services to its tenants ensuring that urgent and emergency repairs were maintained along with gas maintenance and certification and testing were undertaken wherever practical. Link has not seen a significant rise in its rent lost from voids nor has it evidenced significant increases in its rental arrears' outcomes, and this has continued in to the 2022 financial period.

Link has seen since the period end seen a substantial reduction in repairs and maintenance expenditure both in routine, urgent and emergency repairs and planned maintenance and major repairs are not taking place unless they are urgent.

Link has been required to furlough staff in its repairs and maintenance teams and in accordance with the UK Government Job Retention scheme this was only undertaken where jobs could not be safely undertaken during the UK wide lockdown. Overall, Link has managed to minimise the financial effect with a measured approach to repairs and maintenance, offsetting lost revenue from completed units coming in to let. This will rebalance in due course.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2021 (continued)

Link's development programme has for most of the period been in complete lockdown although our contractors and developers have now returned to the development sites and they are operating a socially distanced regime which will impact on the timing of planned development completions. Link is analysing and reviewing the effect of the "new normal" working regime on development sites with its development and contracting partners to identify revised cash flow and expenditure profiles along with projected completion dates. Link does not expect any detrimental financial effects to accrue as a result of the development contracts being taken to completion.

Business Outlook

As a sector there has been a focus on the 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 which follows the Scottish Government's Housing 2040 consultation.

Link has a strong development programme and is committed 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 and 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.

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 person's 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 2021 stood at 11 Members (as at the date of this report, 11 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 725 staff (2020: 639) across the Link group of companies on average throughout the year. Of those 125 staff members (2020: 120) 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 RSM UK Audit LLP as auditor will be proposed to the annual general meeting to be held on 21 September 2021.

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

C Cuthbertson
Board Member

Date: 18 August 2021

Registered Office:
Link House, 2c, New Mart Road, Edinburgh, EH14 1RL

LINK GROUP LIMITED

BOARD OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS

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 partner 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 partner 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 focused policies which are approved by the relevant partner 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. Partner Boards also receive reports from the external and internal auditors.

Development Committee

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

Remuneration Committee

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

Health & Safety

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

LINK GROUP LIMITED

BOARD OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS (continued)

Statement

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

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

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

In ensuring it meets its responsibilities the Board has delegated the scrutiny of control functions to the Group 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 Group 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 Group 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 2021 and internal financial control systems of the wider group including all partner 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

C Cuthbertson
Board Member

Date: 18 August 2021

Registered Office:
Link House, 2c, New Mart Road, Edinburgh, EH14 1RL

LINK GROUP LIMITED

STATEMENT OF BOARD'S RESPONSIBILITIES UNDER THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014 FOR A REGISTERED SOCIAL LANDLORD

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the Group and of the surplus or deficit 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for instituting adequate systems of internal control and for:

- safeguarding assets
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and of the Group and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

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

Opinion

We have audited the financial statements of Link Group Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Changes in Reserves, Consolidated and Association Statement of Financial Position, Consolidated and Association Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2021 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern basis for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement on page 13, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing 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 the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Group and the Association operates in and how the Group and the Association are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the

risks of irregularities, including any known actual, suspected or alleged instances of fraud;

- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Housing SORP 2018, the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Scottish Housing Regulator's Regulatory Framework (published 2019) and the Housing (Scotland) Acts 2006 and 2014. We performed audit procedures to inquire of management and those charged with governance whether the Group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is provided on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kelly Adams
For and on behalf of RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date.....

LINK GROUP LIMITED

REPORT BY THE AUDITOR TO THE MEMBERS OF LINK GROUP LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 10 to 12 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 10 to 12 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date.....

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
Turnover	2a	78,523	69,975
Operating expenditure	2a	(63,524)	(59,840)
Operating surplus	2a	14,999	10,135
Interest receivable		42	202
Interest and financing costs	6	(8,951)	(8,021)
Other finance charges		(163)	(43)
(Loss)/Gain on sale of non-housing assets		9	-
Surplus on ordinary activities before taxation		5,936	2,273
Taxation		-	(1)
Surplus for the year		5,936	2,272
Actuarial (loss)/gain in respect of defined benefit pension scheme	28	(1,879)	969
Total comprehensive income for the year		<u>4,057</u>	<u>3,241</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 2021**

	Notes	2021 £'000	2020 £'000
Turnover	2b	47,250	46,245
Operating expenditure	2b	(41,285)	(39,138)
Operating surplus	2b	5,965	7,107
Interest receivable		23	149
Interest and financing costs	6	(8,204)	(7,202)
Other finance charges		(162)	(11)
Gift-aid income from partner undertakings		3,817	399
Surplus on ordinary activities before taxation		1,439	442
Taxation		-	-
Surplus for the year		1,439	442
Actuarial (loss)/gain in respect of defined benefit pension scheme	28	(567)	81
Total comprehensive income for the year		872	523

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 2021****CONSOLIDATED STATEMENT OF CHANGES IN RESERVES**

	Revenue Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2020	101,442	74	101,516
Surplus from Statement of Comprehensive Income	5,987	(51)	5,936
Actuarial (loss)/gain in respect of defined benefit pension scheme	(1,879)	-	(1,879)
Balance as at 31 March 2021	105,550	23	105,573

LINK GROUP LIMITED STATEMENT OF CHANGES IN RESERVES

	Revenue Reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2020	67,080	61	67,141
Surplus from Statement of Comprehensive Income	1,490	(51)	1,439
Actuarial (loss)/gain in respect of defined benefit pension scheme	(567)	-	(567)
Balance as at 31 March 2021	68,003	10	68,013

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

LINK GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
Intangible Assets	11a	991	587
Non-Current Assets			
Tangible fixed assets:			
Housing properties	12a	717,265	635,058
Investments - property	12c	10,400	10,330
Other fixed assets	13a	8,317	8,832
Fixed Asset Investments:			
Investments - Other	14	-	-
		<u>763,973</u>	<u>654,807</u>
Current assets			
Work in progress & stocks	15	14,735	11,157
Trade and other debtors	16	11,229	21,977
Investments		3,035	4,069
Cash and cash equivalents		31,155	34,061
		<u>60,154</u>	<u>71,264</u>
Creditors: amounts falling due within one year	17	(41,241)	(46,417)
Net current assets		<u>18,913</u>	<u>24,847</u>
Total assets less current liabilities		755,886	679,654
Creditors: amounts falling due after more than one year	18	(249,229)	(220,701)
Deferred income	19	(399,110)	(356,881)
Pension scheme liability	28	(1,974)	(556)
Net assets		<u>105,573</u>	<u>101,516</u>
Capital and reserves			
Share capital		-	-
Restricted reserve		23	74
Revenue reserve		105,550	101,442
Total reserves		<u>105,573</u>	<u>101,516</u>

Approved and authorised for issue by the Board of Management on 17 August 2021 and signed on its behalf by:-

R Martin, Board Member

C Cuthbertson, Board Member

J N Hall, Secretary

Date 18 August 2021

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 2021

	Notes	2021 £'000	2020 £'000
Intangible Assets	11b	991	587
Non-Current Assets			
Tangible fixed assets:			
Housing properties	12b	627,222	545,470
Investments - property	12c	10,400	10,330
Other tangible fixed assets	13b	6,537	6,862
Fixed asset Investments:			
Investments - other	14	100	100
		<u>645,250</u>	<u>563,349</u>
Current assets			
Work in progress	15	13,471	10,373
Trade and other debtors	16	16,527	29,706
Cash and cash equivalents		16,557	11,719
		<u>46,555</u>	<u>51,798</u>
Creditors: amounts falling due within one year	17	(34,435)	(29,354)
Net current assets		<u>12,120</u>	<u>22,444</u>
Total assets less current liabilities		657,370	585,793
Creditors: amounts falling due after more than one year	18	(227,987)	(198,000)
Deferred income	19	(360,666)	(320,354)
Pension scheme liability	28	(704)	(298)
Total net assets		<u>68,013</u>	<u>67,141</u>
Capital and reserves			
Share capital		-	-
Restricted reserve		10	61
Revenue reserve		68,003	67,080
Total reserves		<u>68,013</u>	<u>67,141</u>

Approved and authorised for issue by the Board of Management on 17 August 2021 and signed on its behalf by:-

R Martin, Board Member

C Cuthbertson, Board Member

J N Hall, Secretary

Date 18 August 2021

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 2021

	Notes	2021 £'000	2020 £'000
Net cash inflow generated from operating activities	25	18,588	18,451
Investing activities			
Acquisition and construction of properties		(102,451)	(108,455)
Purchase of other fixed assets		(483)	(706)
(Purchase)/Disposal of short term Investment		-	(1,054)
Proceeds on disposal of fixed assets		811	1,756
Grants received		61,313	53,250
Grants repaid		(303)	(389)
Interest received on cash and cash equivalents		42	202
Net cash outflow from investing activities		<u>(41,071)</u>	<u>(55,396)</u>
Financing activities			
Interest paid on loans		(8,951)	(7,336)
New loans		30,000	80,000
Loan principal repayments		(1,472)	(38,606)
Net cash inflow from financing activities		<u>19,577</u>	<u>34,058</u>
Increase/(Decrease) in cash		<u>(2,906)</u>	<u>(2,887)</u>
Opening cash and cash equivalents		<u>34,061</u>	<u>36,948</u>
Closing cash and cash equivalents		<u><u>31,155</u></u>	<u><u>34,061</u></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 2021**

	Notes	2021 £'000	2020 £'000
Net cash inflow generated from operating activities	25	23,443	3,755
Investing activities			
Acquisition and construction of properties		(98,990)	(107,359)
Purchase of other fixed assets		(541)	(656)
Proceeds on disposal of fixed assets		799	881
Grants received		58,582	55,848
Grants repaid		(261)	(260)
Interest received on cash and cash equivalents		23	149
Net cash outflow from investing activities		(40,388)	(51,397)
Financing activities			
Interest paid on loans		(8,204)	(6,517)
New loans		30,000	80,000
Loan principal repayments		(13)	(33,000)
Net cash inflow from financing activities		21,783	40,483
(Decrease)/increase in cash		4,838	(7,159)
Opening cash and cash equivalents		11,719	18,878
Closing cash and cash equivalents		16,557	11,719

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

These financial statements are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard for registered social housing providers in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice 2018 and comply with the Co-operative and Community Benefit Societies Act 2014.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property.

(b) Basis of consolidation

The group financial statements consolidate those of Link Group Limited and of its partner undertakings drawn up to 31 March 2021 on a line by line basis. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

(c) Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Group prepares a 30 year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2021 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak last year of Covid-19, the Group has continued to undertake a series of further scenario tests including severe but plausible downsides in the worst case scenario.

The Board, after reviewing the Group and Association budgets for 2021/22 and the Group's medium term financial position as detailed in the 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period).

The Link Group budgets and business plans have been impacted by the lockdown as a result of Covid-19 and the government imposed social distancing measures. The development plans, which are significant in the forecasts, have been adjusted to reflect the period of inactivity on development sites and the recent return to work and new ways of working. This has led to a reduction in planned capital expenditure and a deferral in the planned completion of our development sites. The impact of those changes in terms of projected completions and rental income has been accounted for in our plans for the 2021/22 financial period. The expected delay in completions suggests that the majority of the planned rental income will move in to quarter 1 of 2021/22 from the final quarter of 2020/21.

1 ACCOUNTING POLICIES (continued)

(c) Going concern (continued)

The Link Group routine, cyclical and major repair costs have significantly reduced compared to the plans and forecasts due to Link Group having to comply with lockdown and social distancing measures imposed upon it. This has led to significant reductions in repairs and maintenance costs being incurred compared to budget forecasts. Evidence suggests that given the new way of working, it is unlikely that those costs will be incurred during the 2021/22 period as the backlog is resolved. Major repairs works will be phased into future years.

Rent and service charges receivable have not been significantly affected during the period and income forecasts remain robust. The level of void properties has not significantly increased and neither has the level of bad debts and write offs. The level of arrears remains within benchmark targets with only modest rises suggesting that arrears are not going to translate into significant rent lost through bad debts during the period 2021/22.

Further, the revenue position is such that there are offsets between loss of income from property completion rents and reductions in repairs and maintenance costs which will mean little change in outturn forecasts.

Link Group remains highly liquid with substantial committed funding facilities available to it through its revolving credit facilities with RBS and its "shelf facility" with MetLife. Link also has substantial headroom in its interest cover covenant and gearing ratios at current and forecast levels and has significant unencumbered assets with which to raise further private finance, although the Group is not forecasting the need to raise additional finance. The Group is also subject to asset cover ratio covenants. The Group is able to add additional unencumbered properties as part of this calculation which significantly reduces the risk of breaching this covenant.

The board believe the Group and Association have sufficient funding in place and expect the Group to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors are confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a 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) Bad and doubtful debts

A 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.

(f) Intangible fixed assets – computer software

Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is charged to the Income and Expenditure Account on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. A full year amortisation charge will be applied in the first year of use. The estimated useful lives are as follows: software - 3 years, in line with the length of the Private Sector Leasing contract for which it is used.

1 ACCOUNTING POLICIES (continued)

(g) Tangible fixed assets and depreciation

Housing properties are properties for the provision of social housing or otherwise to provide social benefit and are principally properties available for rent. 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.

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
Structure	-	over 50 - 60 years
Kitchen	-	over 15 years
Windows	-	over 30 years
Bathrooms	-	over 25 - 30 years
Rewiring	-	over 40 years
Doors	-	over 30 years
Boilers	-	over 12 years
Pipework	-	over 24 years

Works to existing properties will generally be capitalised under the following circumstances: -

- Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or material reduction in future maintenance costs, or
- Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the statement of comprehensive income.

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 10%, 12.5% or 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. Plant and Equipment is depreciated at 10%, 15%, 20%, 25% or 33% per annum on cost. 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.

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially

1 ACCOUNTING POLICIES (continued)

reversed. If such indications exist, the Association estimates the recoverable amount of the asset. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

(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. Rental income from investment properties is accounted for as income from Other Activities 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 FRS 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 24 of Financial Reporting Standard 102 and the SORP 2018. 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) 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.

(l) 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.

(m) 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.

1 ACCOUNTING POLICIES (continued)

(n) Pensions

Defined Contribution Scheme

The Association participates in the Scottish Housing Association Pension Scheme (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.

Defined Benefit Scheme

In respect of the Scottish Housing Association Pension Scheme (SHAPS) defined benefit scheme, payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations taken as a whole. In accordance with FRS 102, the group's share of the scheme assets and liabilities has been separately identified

and included in the group's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The group's share of the deficit is recognised in full, and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as "actuarial (loss)/gain in respect of defined benefit pension scheme".

The Scottish Housing Association Pension Scheme (SHAPS) pension scheme provision is valued by an independent actuary, which provides the values to be included in these financial statements. 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.

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The members of the Board are satisfied that the accounting policies are appropriate and applied consistently.

(o) 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 2020/21, 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.

(p) Lease obligations

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

(q) The Association as Lessor – Operating Leases

Rental income from assets leased under operating leases is recognized on a straight-line basis over the term of the lease. Rent-free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

1 ACCOUNTING POLICIES (continued)

(r) Cash and equivalents

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.

(s) Financial instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Receivables

Receivables which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade receivables are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade receivable constitutes a financing transaction, the receivable is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of receivables is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade receivable over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Income and Expenditure Account.

Financial liabilities

Trade payables

Trade payables payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade payable constitutes a financing transaction, the payable is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1 ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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.

Partner 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 Group.

(v) Acquisition accounting

The Group uses the acquisition method of accounting to account for business combinations. Any costs directly attributable to the business combination are included in the cost of acquisition. 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.

(w) Gift aid

Partner 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 partner shareholders in the year to pay the taxable profit for the year to its parent by a certain payment date.

(x) 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. Turnover is recognised when it falls due and is accounted for on an accruals basis.

(y) Restricted reserves

Donations 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.

(z) Material Estimates and Judgements

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The members of the Board are satisfied that the accounting policies are appropriate and applied consistently.

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 Statement of Comprehensive Income. This results in inherent volatility in the expected results for the year.

Debtors

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

Pension

The Scottish Housing Association Pension Scheme (SHAPS) pension scheme provision is valued by an independent actuary, which provides the values to be included in these financial statements. 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.

Housing Components and Useful Lives

Key sources of estimation have been applied in apportioning the cost of housing properties between constituent components and in determining the depreciation rates which have been deemed to be appropriate for the class of asset or asset component.

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

	2021 Turnover £'000	2021 Operating costs £'000	2021 Operating surplus/ (deficit) £'000	2020 Operating surplus/ (deficit) £'000
Affordable letting activities (note 3a)	57,143	(42,079)	15,064	11,077
Other activities (note 4a)	21,380	(21,445)	(65)	(942)
2021 Total	<u>78,523</u>	<u>(63,524)</u>	<u>14,999</u>	<u>10,135</u>
2020 Total	<u>69,975</u>	<u>(59,840)</u>	<u>10,135</u>	

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

	2021 Turnover £'000	2021 Operating costs £'000	2021 Operating surplus/ (deficit) £'000	2020 Operating surplus/ (deficit) £'000
Affordable letting activities (note 3b)	41,975	(33,456)	8,519	8,839
Other activities (note 4b)	5,275	(7,829)	(2,554)	(1,732)
2021 Total	<u>47,250</u>	<u>(41,285)</u>	<u>5,965</u>	<u>7,107</u>
2020 Total	<u>46,245</u>	<u>(39,138)</u>	<u>7,107</u>	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

	General Needs housing £'000	Supported housing £'000	Shared ownership £'000	2021 Total £'000	2020 Total £'000
Revenue from rent and service charges					
Rents receivable (net of service charges)	44,190	189	1,246	45,625	43,043
Service charges receivable	1,398	243	23	1,664	1,619
Gross income from rent and service charges	45,588	432	1,269	47,289	44,662
Less: rent losses from voids	(391)	(15)	(4)	(410)	(332)
Net income from rent and service charges	45,197	417	1,265	46,879	44,330
Revenue Grants					
Grants released from deferred income	6,793	372	(7)	7,158	8,019
Release of Deferred Income	1,437	-	-	1,437	-
Revenue grants from Scottish Ministers	747	-	-	747	201
Other revenue grants	922	-	-	922	333
Total turnover from affordable letting activities	55,096	789	1,258	57,143	52,883
Expenditure					
Management and maintenance administration costs	10,340	20	143	10,503	9,751
Service costs	1,831	130	(9)	1,952	1,728
Planned and cyclical maintenance & major repair costs	5,668	157	1	5,826	6,457
Reactive maintenance costs	6,843	270	(5)	7,108	7,231
Bad debts – rents & service charges	207	8	-	215	295
Depreciation of affordable let properties	15,635	134	515	16,284	16,135
Loss on disposal of components	191	-	-	191	209
Operating costs for affordable letting activities	40,715	719	645	42,079	41,806
Operating surplus for affordable lettings 2021	14,381	70	613	15,064	11,077
Operating surplus for affordable lettings 2020	13,932	81	826	11,077	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2020: £nil). The cost of property components capitalised in the year was £2,346,124 (2020: £5,470,637).

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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	2021 Total £'000	2020 Total £'000
Revenue from rent and service charges					
Rents receivable (net of service charges)	34,412	-	1,125	35,537	33,463
Service charges receivable	-	-	-	-	-
Gross income from rent and service charges	<u>34,412</u>	<u>-</u>	<u>1,125</u>	<u>35,537</u>	<u>33,463</u>
Less: rent losses from voids	(322)	-	(1)	(323)	(268)
Net income from rent and service charges	<u>34,090</u>	<u>-</u>	<u>1,124</u>	<u>35,214</u>	<u>33,195</u>
Revenue Grants					
Grants released from deferred income	6,279	-	8	6,287	7,185
Revenue grants from Scottish Ministers	317	-	-	317	-
Other income revenue grants	157	-	-	157	329
Total turnover from affordable letting activities	<u>40,843</u>	<u>-</u>	<u>1,132</u>	<u>41,975</u>	<u>40,709</u>
Expenditure					
Management and maintenance administration costs	8,213	-	316	8,529	6,956
Planned and cyclical maintenance & major repair costs	4,709	-	-	4,709	4,679
Reactive maintenance costs	6,186	-	9	6,195	6,233
Bad debts – rents & service charges	183	-	-	183	220
Depreciation of affordable let properties	13,240	22	478	13,740	13,652
Loss on disposal of components	100	-	-	100	130
Operating costs for affordable letting activities	<u>32,631</u>	<u>22</u>	<u>803</u>	<u>33,456</u>	<u>31,870</u>
Operating surplus / (deficit) for affordable lettings 2021	<u>8,212</u>	<u>(22)</u>	<u>329</u>	<u>8,519</u>	<u>8,839</u>
Operating surplus / (deficit) for affordable lettings 2020	<u>8,079</u>	<u>(22)</u>	<u>782</u>	<u>8,839</u>	

The cost of property components capitalised in the year was £1,630,579 (2020: £3,323,652).

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

	Grants from Scottish Minister s £'000	Other revenue grants £'000	Supportin g people income £'000	Other income £'000	Total turnover 2021 £'000	Other operating costs 2021 £'000	Operating surplus / (deficit) 2021 £'000	Operating surplus / (deficit) 2020 £'000
Wider role activities	-	40	-	298	338	(2,412)	(2,074)	(1,039)
Care and repair of property	-	-	-	-	-	-	-	(26)
Factoring	-	4	-	391	395	(707)	(312)	(167)
Development and construction of property activities	68	-	-	-	68	(979)	(911)	(373)
Support activities	-	1,082	80	3,120	4,282	(5,014)	(732)	(644)
Contracted out services undertaken for RSLs	-	-	-	528	528	(504)	24	166
Contracted out services undertaken for other organisations	-	16	-	6,957	6,973	(6,355)	618	(431)
Developments and improvements for sale to non-RSLs	-	-	-	1,582	1,582	(1,751)	(169)	29
Gain on revaluation of investment properties	-	-	-	70	70	-	70	-
Business & other development costs	-	-	-	-	-	(456)	(456)	(352)
Publicity and Promotion	-	-	-	-	-	(358)	(358)	(365)
Shared Equity Sales Administration	-	25	-	4,839	4,864	(2,119)	2,745	403
Investment property activities	-	-	-	811	811	(18)	793	816
Gain on sale of properties	-	-	-	859	859	(437)	422	334
Other activities	69	-	-	541	610	(284)	326	646
Cycling Scotland Social Housing Fund	-	-	-	-	-	(51)	(51)	61
Total from other activities 2021	137	1,167	80	19,996	21,380	(21,445)	(65)	(942)
Total from other activities 2020	2,567	926	3,052	10,547	17,092	(18,034)	(942)	

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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 2021 £'000	Operating costs 2021 £'000	Operating surplus / (deficit) 2021 £'000	Operating surplus / (deficit) 2020 £'000
Wider role activities	-	-	-	-	-	(1,508)	(1,508)	(1,034)
Factoring	-	-	-	-	-	(175)	(175)	(56)
Development and construction of property activities	68	-	-	-	68	(566)	(498)	(373)
Care & support activities	-	-	-	-	-	(605)	(605)	(596)
Contracted out services undertaken for RSLs	-	-	-	528	528	(516)	12	28
Contracted out services undertaken for other organisations	-	-	-	2,342	2,342	(2,569)	(227)	(212)
Development and improvements for sale to non RSLs (incl. shared ownership 1st tranches & shared equity sales)	-	-	-	564	564	(697)	(133)	29
Gain on revaluation of investment properties	-	-	-	70	70	-	70	-
Business & other development costs	-	-	-	-	-	(388)	(388)	(284)
Publicity and Promotion	-	-	-	-	-	(158)	(158)	(365)
Shared equity and sales administration	-	-	-	-	-	(173)	(173)	(371)
Investment Property Activities	-	-	-	799	799	(4)	795	816
Gain on sale of properties	-	-	-	855	855	(384)	471	548
Other activities	-	-	-	49	49	(35)	14	77
Cycling Scotland Social Housing Fund	-	-	-	-	-	(51)	(51)	61
Total from other activities 2021	68	-	-	5,207	5,275	(7,829)	(2,554)	(1,732)
Total from other activities 2020	218	73	-	5,245	5,536	(7,268)	(1,732)	

The costs included in Contracted out services undertaken for other organisations refers to the management fee paid to Link Housing Association for the management of properties owned by Link Group. The other income included relates to management fees received from partner undertakings.

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

In the year to 31 March 2021 the consolidated Statement of Comprehensive Income included a gain on disposal of housing properties of £422,594 (2020: £333,847). Link Group Limited achieved a gain on disposal of housing properties of £470,364 compared to a gain in 2020 of £548,802. During the year, Link Group continued to sell properties under 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Statement of comprehensive income – Loan interest	8,944	8,021	8,199	7,202
Net interest on Net Defined Benefit Obligation	7	43	5	11
	<u>8,951</u>	<u>8,064</u>	<u>8,204</u>	<u>7,213</u>

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Emoluments (excluding pension contributions)	1,316	842	850	468
Pension contributions	116	77	78	48
Total Emoluments	<u>1,432</u>	<u>919</u>	<u>928</u>	<u>516</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

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

Emoluments (including pension contributions)	Consolidated		Link Group Ltd	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
£60,000 - £69,999	4	1	-	-
£70,000 - £79,999	3	1	-	-
£80,000 - £89,999	1	1	1	-
£90,000 - £99,999	2	-	2	-
£100,000 - £109,999	2	2	2	1
£110,000 - £119,999	-	-	-	-
£120,000 - £129,999	-	1	-	1
£130,000 - £139,999	2	1	2	1
£140,000 - £149,999	-	1	-	1
£150,000 - £159,999	1	-	1	-
	<u>15</u>	<u>8</u>	<u>8</u>	<u>4</u>

The emoluments, excluding pension contributions, of the highest paid Director, who is the Chief Executive are £144,799 (2020: £135,719). The Chief Executive is an ordinary member of the pension scheme, no enhanced or special terms apply and has no other pension arrangements with Link. The pension contribution by Link in respect of the Chief Executive amounted to £11,908 (2020: £11,675).

The total emoluments of the Chief Executive for the year was £156,707 (2020: £147,394).

Emoluments were paid to the following Board members:

	Consolidated		Link Group Ltd	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Chair Link Group	17	16	17	16
Chair Audit and Risk Committee	6	-	6	-
Vice Chair (Communities)	6	-	6	-
Vice Chair (Corporate)	5	-	5	-
	<u>34</u>	<u>16</u>	<u>34</u>	<u>16</u>

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

	Consolidated		Link Group Ltd	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Board of Management	<u>1</u>	<u>5</u>	<u>-</u>	<u>2</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

8. EMPLOYEES

	Consolidated		Link Group Ltd	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Staff costs during the year:				
Wages and salaries	21,578	19,552	5,467	5,096
Social security costs	2,021	1,796	552	511
Other pension costs	1,547	1,477	445	447
	<u>25,146</u>	<u>22,825</u>	<u>6,464</u>	<u>6,054</u>

The cost to employ temporary and agency staff for the year was £21,495 (2020: £nil) for Link Group and £304,563 (2020: £198,739) consolidated.

	Consolidated		Link Group Ltd	
	2021	2020	2021	2020
	£'No	£'No	£'No	£'No
The average number of persons employed during the year	<u>721</u>	<u>639</u>	<u>125</u>	<u>120</u>
The average number of full time equivalent persons employed during the year	<u>674</u>	<u>588</u>	<u>119</u>	<u>113</u>

9. AUDITOR'S REMUNERATION

	Consolidated		Link Group Ltd	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Audit of these financial statements	35	46	35	42
Audit of financial statements of subsidiaries	69	64	-	-
Taxation compliance services	23	12	5	5
	<u>127</u>	<u>122</u>	<u>40</u>	<u>47</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

10. HOUSING STOCK – LINK GROUP

Analysis of housing stock by accommodation type

	Units in management		Units under development	
	31 March 2021 Units	31 March 2020 Units	31 March 2021 Units	31 March 2020 Units
Link Group Limited				
Housing accommodation for letting	7,633	7,308	1,598	1,518
Shared bedspaces	641	610	-	-
Shared ownership accommodation	410	426	-	-
Larkfield Housing Association Limited				
Housing accommodation for letting	382	382	-	-
Horizon Housing Association				
Housing accommodation for letting	797	797	-	-
Shared ownership accommodation	29	29	-	-
Shared bedspaces	44	44	-	-
West Highland Housing Association Limited				
Housing accommodation for letting	801	795	-	-
Shared ownership accommodation	14	16	-	-
Managed for Link Housing Association	33	33	-	-
Rent to buy	48	50	-	-
Total units in management	10,832	10,490	1,598	1,518

Included in Link Group Limited above is 1 unit currently out of management (2020: 1) and excluded are 282 non-housing units (2020: 282). Link Housing Association, a subsidiary of Link Group, manage 8,684 units on behalf of Link Group, for which a management fee of £6,260,743 was paid during 2020/21.

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

Organisation	31 March 2021 Units	31 March 2020 Units
Stirling University	84	84
Others	13	13
	97	97

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

11a. INTANGIBLE ASSETS – CONSOLIDATED

	Software in use £'000	Software in development £'000	Total £'000
Cost			
At 1 April 2020	995	374	1,369
Additions	303	159	462
Disposals	-	(6)	(6)
At 31 March 2021	<u>1,298</u>	<u>527</u>	<u>1,825</u>
Amortisation			
At 1 April 2020	782	-	782
Amortised during the year	52	-	52
On disposals	-	-	-
At 31 March 2021	<u>834</u>	<u>-</u>	<u>834</u>
Net book value at 31 March 2021	<u>464</u>	<u>527</u>	<u>991</u>
Net book value at 31 March 2020	<u>213</u>	<u>374</u>	<u>587</u>

11b. INTANGIBLE ASSETS – LINK GROUP LIMITED

	Software in use £'000	Software in development £'000	Total £'000
Cost			
At 1 April 2020	797	374	1,171
Additions	303	159	462
Disposals	-	(6)	(6)
At 31 March 2021	<u>1,100</u>	<u>527</u>	<u>1,627</u>
Amortisation			
At 1 April 2020	584	-	584
Amortised during the year	52	-	52
On disposals	-	-	-
At 31 March 2021	<u>636</u>	<u>-</u>	<u>636</u>
Net book value at 31 March 2021	<u>464</u>	<u>527</u>	<u>991</u>
Net book value at 31 March 2020	<u>213</u>	<u>374</u>	<u>587</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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	Total £'000
Cost				
At 1 April 2020	610,465	22,074	183,365	815,904
Additions	14,960	-	83,322	98,282
Transfers NSSE & S/O 1 st Tranche from WIP (note 15)	88	-	578	666
Transfers	67,260	-	(67,260)	-
Disposals - initial tranches	-	-	-	-
- other sales	(1,144)	(393)	(169)	(1,706)
At 31 March 2021	691,629	21,681	199,836	913,146
Depreciation				
At 1 April 2020	173,899	6,947	-	180,846
Provided during the year	15,422	515	-	15,937
On disposals	(808)	(94)	-	(902)
At 31 March 2021	188,513	7,368	-	195,881
Net book value at 31 March 2021	503,116	14,313	199,836	717,265
Net book value at 31 March 2020	436,565	15,128	183,365	635,058

Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2020: nil). Total works expenditure on housing properties amounted to £6,326,835 (2020: £9,748,264) of which £2,346,124 (2020: £5,470,637) was capitalised and £3,980,711 (2020: £4,277,627) was expensed. Of the £2,346,124 (2020: £5,470,637) works capitalised, £2,346,124 (2020: £5,470,637) were component replacements and £nil (2020: £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. The historical value of land included in the net book value at 31 March 2021 was £43,254,258 (2020: £36,452,930).

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	Total £'000
Cost				
At 1 April 2020	495,572	19,997	183,478	699,047
Additions	14,310	-	81,177	95,487
Transfers NSSE & S/O 1 st Tranche from WIP (note 15)	88	-	578	666
Transfers	66,385	-	(66,385)	-
Disposals - initial tranches	-	-	-	-
- other sales	(725)	(296)	(169)	(1,190)
At 31 March 2021	575,630	19,701	198,679	794,010
Depreciation				
At 1 April 2020	146,896	6,681	-	153,577
Provided during the year	13,262	477	-	13,739
On disposals	(480)	(48)	-	(528)
At 31 March 2021	159,678	7,110	-	166,788
Net book value at 31 March 2021	415,952	12,591	198,679	627,222
Net book value at 31 March 2020	348,676	13,316	183,478	545,470

Development administration costs capitalised amounted to £997,234 (2020: £955,967). Total works expenditure on housing properties amounted to £5,476,078 (2020: £7,142,492) of which £1,630,579 was capitalised (2020: £3,323,652) and £3,845,500 (2020: £3,818,840) was expensed. Of the works capitalised, £1,630,579 (2020: £3,323,652) were component replacements and £nil (2020: £nil) were improvements. Additions to housing properties in the course of construction include no interest payable on loans advanced for those properties (2020: £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. The historical value of land included in the net book value at 31 March 2021 was £47,605,314 (2020: £54,478,642).

LINK GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021****12c. TANGIBLE FIXED ASSETS – INVESTMENT PROPERTIES**

Investment property – Link Group Limited and Consolidated	2021 £'000	2020 £'000
Balance at 1 April	10,330	10,330
Unrealised gain on revaluation	70	-
Balance at 31 March	<u>10,400</u>	<u>10,330</u>
Historic cost of investment properties	6,564	6,564
Accumulated depreciation	<u>(3,693)</u>	<u>(3,563)</u>
Historic cost net book value	<u>2,871</u>	<u>3,001</u>

Link Group Limited 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 LaSalle, a financial and professional services firm specialising in real estate services and investment management.

The valuations were completed as at 31 March 2021 and were prepared on the basis of market value. The investment method of valuation to derive the market value of the properties was used. No allowance was made for any expenses of realisation, or for taxation (including VAT) which might arise in the event of a disposal and the properties were considered free and clear of all mortgages or other charges which may be secured thereon.

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

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	Total £'000
Cost				
At 1 April 2020	10,125	2,253	221	12,599
Additions	-	21	-	21
Disposals	-	-	-	-
At 31 March 2021	<u>10,125</u>	<u>2,274</u>	<u>221</u>	<u>12,620</u>
Depreciation				
At 1 April 2020	2,623	943	201	3,767
Provided during the year	207	305	16	528
Additions	-	-	-	-
On disposals	8	-	-	8
At 31 March 2021	<u>2,838</u>	<u>1,248</u>	<u>217</u>	<u>4,303</u>
Net book value at 31 March 2021	<u>7,287</u>	<u>1,026</u>	<u>4</u>	<u>8,317</u>
Net book value at 31 March 2020	<u>7,502</u>	<u>1,310</u>	<u>20</u>	<u>8,832</u>

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

	Heritable office property £'000	Plant & equipment £'000	Vehicles £'000	Total £'000
Cost				
At 1 April 2020	8,596	1,003	18	9,617
Additions	1	78	-	79
Disposals	-	-	-	-
At 31 March 2021	<u>8,597</u>	<u>1,081</u>	<u>18</u>	<u>9,696</u>
Depreciation				
At 1 April 2020	2,187	550	18	2,755
Provided during the year	171	233	-	404
On disposals	-	-	-	-
At 31 March 2021	<u>2,358</u>	<u>783</u>	<u>18</u>	<u>3,159</u>
Net book value at 31 March 2021	<u>6,239</u>	<u>298</u>	<u>-</u>	<u>6,537</u>
Net book value at 31 March 2020	<u>6,409</u>	<u>453</u>	<u>-</u>	<u>6,862</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

14. INVESTMENTS

Partner Undertakings

Organisation	Legal Nature	Authorised Share Capital	Issued Share Capital	Principal Activity
Link Housing Association Limited	Private Limited Company	100 £1 shares	£1	Management of social rented housing stock
Linkwide Limited	Charitable Company	Limited by Guarantee	N/A	Development of Community Regeneration initiatives
LinkLiving Limited	Charitable Company	Limited by Guarantee	N/A	Providing care and support to Link tenants and others
Link Property Limited	Private Limited Company	50,000 £1 shares	£50,000	Provision of maintenance services
Link Homes (2001) Limited	Private Limited Company	50,000 £1 shares	£50,000	Administration of Shared Equity schemes
Link Energy Limited	Private Limited Company	100 £1 shares	£1	General commercial activities relating to renewable energy projects
Larkfield Housing Association	Charity, registered as a society under the Co-operative and Community Benefit Societies Act 2014	N/A	N/A	A Registered Social Landlord, management of social rented housing stock.
Horizon Housing Association Limited	Charity, registered as a society under the Co-operative and Community Benefit Societies Act 2014	N/A	N/A	A Registered Social Landlord, management of social rented housing stock
West Highland Housing Association Limited	Charity, registered as a society under the Co-operative and Community Benefit Societies Act 2014	N/A	N/A	A Registered Social Landlord, management of social rented housing stock

At 31 March 2021 Link Group Limited held 100% share capital of the partner undertakings listed above, with the exception of Larkfield Housing Association, West Highland Housing Association and Horizon Housing Association 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 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

14. INVESTMENTS (continued)

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.

At 31 March 2021 West Highland Housing Association Limited held 100% share capital of the following partner undertakings:

Organisation	Legal Nature	Authorised Share Capital	Issued Share Capital	Principal Activity
West Highland Futures Limited	Private Limited Company	1 £1 shares	£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 partner undertakings have been consolidated in the group financial statements.

	2021 £'000	2020 £'000
Cost		
Shares in group undertakings	100	100

15. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
At 1 April	11,157	4,049	10,373	3,388
Expenditure on development properties	5,003	7,127	4,523	7,004
Cost of sales transferred to expenditure	(759)	(19)	(759)	(19)
Transfers NSSE & S/O 1st Tranche to fixed assets (note 12)	(666)	-	(666)	-
At 31 March	14,735	11,157	13,471	10,373

The number of sales of Shared equity properties was 228 (2020: 224).

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

16. DEBTORS

	Consolidated		Link Group Ltd	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Arrears of rent and service charges	1,517	1,825	1,121	1,325
Less: Payment plan adjustment	(76)	(39)	(60)	(26)
Less: provision for bad and doubtful debts	<u>(1,340)</u>	<u>(611)</u>	<u>(295)</u>	<u>(401)</u>
Net rental debtors	101	1,175	766	898
SHG receivable	5,006	15,399	4,254	15,049
Revenue grants receivable	-	21	-	-
Trade and other debtors (less provision £nil 2020: £23k)	4,060	3,745	147	452
Prepayments	2,062	1,637	1,676	1,374
Due from subsidiaries	-	-	9,684	11,933
	<u>11,229</u>	<u>21,977</u>	<u>16,527</u>	<u>29,706</u>

The amount due from subsidiaries includes; rental income collected by partner companies on behalf of Link Group Limited and not received by Link Group until after the year end; charges levied by Link Group for services provided which were invoiced to the subsidiaries, and also paid after the year end; an intercompany loan of £2.5m which is repayable in more than one year.

17. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Link Group Ltd	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Housing loans – current instalments due (note 18)	1,098	2,109	-	-
Shared equity grants	9,518	15,454	7,236	7,973
Trade and other creditors	14,473	15,906	11,517	11,738
Taxation and social security	816	513	767	495
Pension contributions	213	169	186	169
Accruals	5,804	4,560	3,081	1,611
Housing Grants in advance	7,775	6,453	7,472	6,453
Rents in advance	1,544	1,253	1,274	850
Amounts owed to group undertakings	-	-	2,902	65
	<u>41,241</u>	<u>46,417</u>	<u>34,435</u>	<u>29,354</u>

Included in trade and other creditors is an amount of £775,000 (2020: £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 Group does not consider the grant repayment to be equitable and has made representations to the Scottish Government for further abatement, although in the accounts the full amount repayable has been provided.

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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

	Consolidated		Link Group Ltd	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Loan Facilities	249,229	220,401	227,987	198,000
Other	-	300	-	-
	<u>249,229</u>	<u>220,701</u>	<u>227,987</u>	<u>198,000</u>

HOUSING LOANS

Analysis of loan facilities	Consolidated		Link Group Ltd	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Fixed Rate				
Advanced by banks	57,028	57,302	51,000	51,000
Advanced by building societies	5,750	5,524	-	-
Advanced by private lenders	151,018	136,189	149,987	135,000
Variable Rate				
Advanced by banks	31,478	17,706	27,000	12,000
Advanced by building societies	5,053	5,789	-	-
	<u>250,327</u>	<u>222,510</u>	<u>227,987</u>	<u>198,000</u>

The group has loan facilities of £300m (2020: £278m), of which £250m had been drawn down as at 31 March 2021 (2020: £223m). 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 1.23% and 5.93% (2020: between 0.97% and 5.50%).

Analysis of maturity of debt

	Consolidated		Link Group Ltd	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts repayable:				
In one year or less, or on demand	1,098	2,109	-	-
Between one and two years	1,102	1,045	-	-
Between two and five years	<u>18,262</u>	<u>23,303</u>	<u>15,000</u>	-
	20,462	46,457	15,000	-
In five years or more	229,865	196,053	212,987	198,000
	<u>250,327</u>	<u>222,510</u>	<u>227,987</u>	<u>198,000</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

19. DEFERRED INCOME

	Consolidated		Link Group Ltd	
	2021	2020	2021	2020
Social Housing Grants	£'000	£'000	£'000	£'000
Balance as at 1 April	355,016	297,195	320,354	261,780
Additions	49,621	66,191	46,860	66,019
Released/repaid as a result of property disposals	(303)	(389)	(261)	(260)
Amortised during year	(7,118)	(7,981)	(6,287)	(7,185)
Balance as at 31 March	<u>397,216</u>	<u>355,016</u>	<u>360,666</u>	<u>320,354</u>
Other Grants				
Balance as at 1 April	1,865	1,304	-	-
Additions in year	69	599	-	-
Amortised during year	(40)	(38)	-	-
Balance as at 31 March	<u>1,894</u>	<u>1,865</u>	<u>-</u>	<u>-</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	
	2021	2020	2021	2020
Shares of £1 each fully paid and issued	No.	No.	No.	No.
At beginning of the year	409	452	150	163
Shares issued during the year	15	15	9	4
Shares surrendered during the year	(11)	(58)	(6)	(17)
At end of year	<u>413</u>	<u>409</u>	<u>153</u>	<u>150</u>

21. CAPITAL COMMITMENTS

At 31 March 2021 authorised and contracted commitments outstanding amounted to approximately £371m for Link Group Limited (2020: £362m) and £373m for the group (2020: £365m).

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 one tenant had served as a Board Member (2020: one), and the sister of one Board Member was also a tenant (2020: one). 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 (2020: one), and again any transaction is on a normal commercial basis.

During the year, for their services to Link Group, four Board Members (2020, one) received emoluments of £34,000 (2020: £16,000).

Link Group Limited is exempt from the requirements under FRS 102 (Section 33.1A) to disclose details of transactions with other members of the group headed by Link Group Limited.

24. OBLIGATIONS UNDER LEASES**Operating Leases as a Lessee**

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

	Consolidated		Link Group Ltd	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Within one year	201	45	-	5
In two to five years	72	187	-	-
In over five years	-	15	5	5
	<u>273</u>	<u>247</u>	<u>5</u>	<u>10</u>

The total consolidated lease payments recognised as an expense was £46,000 (2020: £32,000) and for Link Group was £5,000 (2020: £3,000).

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

24. OBLIGATIONS UNDER LEASES (continued)

Operating Leases as a Lessor

Link Group Limited owns and is responsible for repairs and maintenance of the 84 properties which are leased to a University for student accommodation. Future minimum rentals receivable under these leases are as follows:

	Consolidated		Link Group Ltd	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Within one year	900	818	881	799
Within one to two years	544	580	544	580
In two to five years	1,295	1,295	1,295	1,295
In over five years	2,301	2,732	2,301	2,732
	<u>5,040</u>	<u>5,425</u>	<u>5,021</u>	<u>5,406</u>

The total rental income received by Link Group Ltd in the year was £799,000 (2020: £881,000).

The lease agreement for one of the accommodation units expires in 2022, and for the second in 2031.

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

	Consolidated		Link Group Ltd	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Surplus for the year	5,936	1,303	1,439	442
Depreciation of tangible fixed assets	16,465	16,667	14,143	14,049
Amortisation of intangible fixed assets	52	124	52	91
Decrease/(Increase) in debtors	355	2,970	2,384	(4,241)
Increase/(Decrease) in creditors	(2,220)	5,398	7,097	468
(Increase)/Decrease in stock	(3,578)	(7,108)	(3,098)	(6,985)
Carrying amount of tangible fixed asset disposals	613	1,459	562	1,104
Proceeds from the sale of fixed assets	(811)	(1,756)	(799)	(881)
Government grants utilised in the year	(7,158)	(8,019)	(6,287)	(7,185)
Interest payable	8,951	8,021	8,204	7,202
Interest received	(42)	(202)	(23)	(149)
Pension cost less contributions payable	95	(406)	(161)	(160)
Unrealised gain on revaluation of investment properties	(70)	-	(70)	-
	<u>18,588</u>	<u>18,451</u>	<u>23,443</u>	<u>3,755</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

	Consolidated		Link Group	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Increase/(decrease) in cash in year	(2,906)	2,887	4,838	(7,159)
Cash flow from changes in liquid resources	-	28	-	-
Loan repaid	1,472	38,606	13	33,000
Cash received from new loans	<u>(30,000)</u>	<u>(80,000)</u>	<u>(30,000)</u>	<u>(80,000)</u>
Change in net debt	<u>(31,434)</u>	<u>(38,479)</u>	<u>(25,149)</u>	<u>(54,159)</u>

27. ANALYSIS OF CHANGES IN FINANCING DURING THE CURRENT YEAR

	Consolidated			Link Group Ltd		
	As At	Cash	At 31	As At	Cash	At 31
	1 April	flows	March	1 April	flows	March
	2020	£'000	2021	2020	£'000	2021
Cash at bank and in hand	34,061	(2,906)	31,155	11,719	4,838	16,557
Term deposit	4,069	(1,034)	3,035	-	-	-
Debt due within one year	(2,109)	1,011	(1,098)	-	-	-
Debt due outwith one year	(220,401)	(28,828)	(249,229)	(198,000)	425,987	227,987
	<u>(184,380)</u>	<u>(31,757)</u>	<u>(216,137)</u>	<u>(186,281)</u>	<u>430,825</u>	<u>244,544</u>

28. PENSIONS

28a. 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%. The assets of the scheme are administered by trustees in a fund independent of the Link Group. The staff of Horizon Housing Association Limited, Larkfield Housing Association Limited and West Highland Housing Association Limited are offered membership of the SHAPS Defined Contribution scheme, with employer contribution rates of 6%, 9% or 12% of pensionable salaries for employees who joined the scheme before 1 December 2013, and of 5%, 6%, 8% or 9% of pensionable salaries for employees who joined the scheme after 1 December 2013.

As at the balance sheet date, there were 617 members of staff who were members of the Link group personal pension scheme (2020: 545), of whom 112 are employed by Link Group Limited (2020: 123), and there were 58 members of staff who were members of the SHAPS Defined Contribution Scheme (2020: 57). The total employer contributions for the year ended 31 March 2021 amounted to £1,546,642 (2020: £1,302,116), of which £444,594 was made in relation to Link Group Limited staff (2020: £446,505).

28. PENSIONS (continued)**28b. 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 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

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

The Scheme is accounted for as a defined benefit scheme.

An actuarial valuation of the scheme was carried out as at 30 September 2020 to inform the liability for 31 March 2021.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Key Assumptions	2021	2020
Discount Rate	2.05%	2.40%
Salary Increases	2.00%	2.00%
Inflation (RPI)	3.50%	2.85%
Inflation (CPI)	2.80%	1.85%
Allowance for cash commutation	75% of maximum allowance	75% of maximum allowance

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

28. PENSIONS (continued)

28b. Defined Benefit Scheme (continued)

Mortality Assumptions

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life Expectancy at the age of 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.4
Male retiring in 2040	22.8
Female retiring in 2040	25.0

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Amounts Recognised in Statement of Financial Position	2021	2020
	£'000	£'000
Fair value of scheme assets	17,141	15,670
Present value of benefit obligation	(19,115)	(16,204)
Net pension liability	<u>(1,974)</u>	<u>(534)</u>

Amounts Recognised in Statement of Comprehensive Income	2021	2020
	£'000	£'000
Current service costs	23	23
Administration costs	16	13
Net interest on net defined benefit obligation	8	43
Total pension cost recognised in Statement of Comprehensive Income	<u>47</u>	<u>79</u>

Changes in Defined Benefit Obligation	2021	2020
	£'000	£'000
Opening Defined Benefit Obligation	16,204	16,719
Employer Service Cost	23	23
Interest Expense	384	436
Employer Expenses	16	-
Member Contributions	14	13
Actuarial Losses/(Gains)	2,890	(638)
Benefits Paid and Expenses	(416)	(349)
Closing Defined Benefit Obligation	<u>19,115</u>	<u>16,204</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

28. PENSIONS (continued)

28b. Defined Benefit Scheme (continued)

	2021 £'000	2020 £'000
Changes in Fair Value of Scheme Assets		
Opening Fair Value of Scheme Assets	15,670	14,789
Actual Return on Scheme Assets less Interest Income – gain/(loss)	988	353
Interest income	377	380
Employer Contributions	508	484
Member Contributions	14	13
Benefits Paid and Expenses	(416)	(349)
Closing Fair Value of Scheme Assets	<u>17,141</u>	<u>15,670</u>

	2021 £'000	2020 £'000
Other Comprehensive Income		
Experience on plan assets (excluding amounts included in net interest cost) – gain/(loss)	988	353
Experience gains and losses arising on the plan liabilities – gain/(loss)	396	(75)
Actuarial gains/(losses)	(3,286)	570
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain/(loss)	23	143
Actuarial gains and losses recognised in other comprehensive income	<u>(1,879)</u>	<u>991</u>

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

	2021 £'000	2020 £'000
Global Equity	2,651	2,155
Absolute Return	845	962
Distressed Opportunity	586	285
Credit Relative Value	494	377
Alternative Risk Premia	688	1,256
Fund of Hedge Funds	-	-
Emerging Market Debt	691	558
Risk Sharing	612	497
Insurance-Linked Securities	358	420
Property	307	292
Infrastructure	957	924
Private Debt	404	311
Opportunistic Illiquid Credit	439	381
High Yield	449	-
Opportunistic Credit	469	-
Cash	6	-
Corporate Bond Fund	1,292	1,145
Liquid Credit	295	411
Long Lease Property	398	382
Secured Income	941	869
Over 15 Year Gilts	8	200
Index Linked All Stock Gilts	-	-
Liability Driven Investment	4,121	4,126
Net Current Assets	<u>128</u>	<u>119</u>
Total assets	<u>17,139</u>	<u>15,670</u>

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

28. PENSIONS (continued)

28b. Defined Benefit Scheme (continued)

LINK GROUP LIMITED

Amounts Recognised in Statement of Financial Position	2021 £'000	2020 £'000
Fair value of scheme assets	6,025	5,481
Present value of benefit obligation	(6,729)	(5,779)
Net pension liability	<u>(704)</u>	<u>(298)</u>

Amounts Recognised in Statement of Comprehensive Income	2021 £'000	2020 £'000
Current service costs	23	23
Administration costs	6	5
Net interest on net defined benefit obligation	5	11
Total pension cost recognised in Statement of Comprehensive Income	<u>34</u>	<u>39</u>

Changes in Defined Benefit Obligation	2021 £'000	2020 £'000
Opening Defined Benefit Obligation	5,779	6,069
Employer Current Service Cost	23	23
Employer Expenses	6	5
Interest Expense	137	153
Member Contributions	14	13
Actuarial (gains)/loss due to scheme experience	(107)	(96)
Actuarial (gains)/loss due to changes in financial assumptions	1,028	(295)
Benefits Paid and Expenses	(151)	(170)
Closing Defined Benefit Obligation	<u>6,729</u>	<u>5,702</u>

Changes in Fair Value of Scheme Assets	2021 £'000	2020 £'000
Opening Fair Value of Scheme Assets	5,481	5,531
Actual Return on Scheme Assets less Interest Income – gain/(loss)	354	(233)
Interest income	132	142
Employer Contributions	195	198
Member Contributions	14	13
Benefits Paid and Expenses	(151)	(170)
Administration costs	-	-
Closing Fair Value of Scheme Assets	<u>6,025</u>	<u>5,481</u>

The actual return on plan assets (including any changes in share of assets) over the period from 31 March 2020 to 31 March 2021 was £486,000.

LINK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

28. PENSIONS (continued)

28b. Defined Benefit Scheme (continued)

Amounts Recognised in Other Comprehensive Income	2021 £'000	2020 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss)	354	(341)
Experience gains and losses arising on the plan liabilities – gain/(loss)	107	108
Actuarial gains/(losses)	(1,028)	314
Actuarial gains and losses recognised in other comprehensive income	<u>567</u>	<u>81</u>

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

	2021 £'000	2020 £'000
Global Equity	932	754
Absolute Return	297	336
Distressed Opportunity	206	100
Credit Relative Value	174	132
Alternative Risk Premia	242	469
Fund of Hedge Funds	-	-
Emerging Market Debt	243	195
Risk Sharing	215	174
Insurance-Linked Securities	126	147
Property	108	102
Infrastructure	336	323
Private Debt	142	109
Opportunistic Illiquid Credit	154	133
High Yield	158	-
Opportunistic Credit	165	-
Cash	2	-
Corporate Bond Fund	454	400
Liquid Credit	104	144
Long Lease Property	140	134
Secured Income	331	304
Over 15 Year Gilts	3	70
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,448	1,443
Net Current Assets	45	42
Total assets	<u>6,025</u>	<u>5,481</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.