

## Linc-Cymru Housing Association Limited Annual Report and Financial Statements for the year ended 31st March 2017



**Linc-Cymru Housing Association Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31st March 2017**

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# **Linc-Cymru Housing Association Limited**

## **Strategic Report**

### **For the year ended 31st March 2017**

The Board of Management present their strategic report on the affairs of Linc-Cymru Housing Association Limited (Linc), together with the financial statements and auditors' report, for the year ended 31st March 2017.

Linc is an independent business providing housing for rent and sale, together with the provision of care and support services for people in need. We are a non profit distributing business with all surpluses being reinvested to further expand our activities. The Shareholding Members of Linc have no entitlement to any income or capital distribution.

The homes that we provide include homes for rent at social rents and at market level rents. We have developed shared ownership properties which provide the opportunity for home ownership. We provide a range of properties catering for people with support needs including supported and sheltered housing, extracare accommodation and registered nursing homes across South Wales.

## **Legal Status and Structure of Linc-Cymru Housing Association Group**

Linc is a Registered Society under the Co-operative and Community Benefit Societies Act 2014.

Linc is registered as a Registered Social Landlord with the Welsh Government, Registration Number L109 and with the Financial Conduct Authority, Registration Number 25555R. Linc is registered under Charitable Rules.

At 31st March 2017 the Linc-Cymru Housing Association Group comprised of Linc-Cymru Housing Association Limited and its 100% owned subsidiary Tarbed Limited. Tarbed Limited is a limited company registered under the Companies Acts and undertakes development activity solely on behalf of Linc-Cymru Housing Association Limited.

Linc and its subsidiary Tarbed Limited are members of Community Housing Cymru Limited.

## **Going Concern**

Linc's activities, together with the factors likely to affect its future development, its financial position, risk management, details of its financial instruments, and its exposure to credit, liquidity and cash flow risk are detailed in this Annual Report.

Linc has considerable financial resources and, as a consequence, the Board believes that Linc is well placed to manage its business risks successfully despite current uncertainties in the social housing sector.

After making enquiries, the Board has a reasonable expectation that Linc has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## **Strategic Business Objectives**

Linc makes a significant contribution to the development, and management of a wide range of housing solutions in South East Wales. These include general needs housing, sheltered and supported housing, extracare housing and nursing care. The Board in conjunction with the Corporate Executive Team has growth aspirations which cover all areas of operations. The Welsh Government has set a target for affordable homes for the current term of Government at 20,000 homes. This is an ambitious target and one that Linc is committed in helping to achieve.

# **Linc-Cymru Housing Association Limited**

## **Strategic Report**

### **For the year ended 31st March 2017 (continued)**

Each new business proposal is carefully evaluated with appropriate due diligence. Not all opportunities are pursued. If a scheme does not meet our stringent criteria it is not progressed.

We continue to evolve our housing management and asset management strategies ensuring that we offer appropriate support to our tenants as further welfare reform changes occur, while maintaining our properties to acceptable standards and maintaining compliance with Welsh Homes Quality Standard.

## **Strategic Corporate Objectives**

We continue to adopt our approach of focussing on a limited number of Corporate Objectives with the objective of delivering continuous improvement. For the 2017/18 financial year, we have agreed six Strategic Corporate Objectives.

### **I. Governance**

Governance is high on the regulator's radar and the governance priorities for the 2017/18 financial year are:

- Concluding on the Association's stance on the payment of Chairs of Boards, Committees and Board Members.
- Succession Planning for the Chair of the Board.
- Succession Planning for Board Members.

### **2. Regulation and Board Assurance**

Two regulatory regimes cover our activities:

1. The regulation team in the Homes and Places Division of the Welsh Government regulate our housing activities.
2. The Care and Social Services Inspectorate Wales regulates our care activities.

In respect of the former, the Welsh Government has set out a revised and improved approach to the delivery of housing regulation called the new Regulatory Judgement Framework. An important element of this is the development of a new set of performance standards that replace the delivery outcomes. One of these standards involves us issuing an annual statement of compliance that we are meeting the standards, via our self-evaluation and that we will receive a regulatory opinion on an annual basis. The key focus for the regulator remains on risk as well as financial viability, governance and service delivery, of which tenant involvement in strategic decision making is an important part.

In respect of the latter, phased implementation of the new Regulation and Inspection Act, which applies to our registered nursing homes, commenced in April 2017. We need to ensure that as the new conditions and standards are announced, we are ready and able to implement them and evidence both compliance and the continuation of the delivery of excellent levels of care.

# **Linc-Cymru Housing Association Limited**

## **Strategic Report**

### **For the year ended 31st March 2017 (continued)**

### **3. Hearing the Customer Voice**

In January 2017, to ensure the Board hears the customer voice, the Board requested regular feedback from the Tenant Panel (TP) on any key issues and updates on tenant satisfaction, in order to provide the evidence required for assurance in terms of the Performance Standards. CSSIW also seek assurance that its regulated organisations can evidence hearing the customer voice. Progress has been made on this front with the publication of the 2017/18 Community Engagement Plan.

We want to continue to hear what our tenants and residents have to say about our services and improve the scope for involvement within both Linc and the wider community. We want to prepare to take our organisation and the communities we work to the next level.

### **4. Business Transformation**

The digital transformation work, which began in 2016, focused on our IT capability and the need to procure a new housing management system. During 2017/18 we will move our focus onto business transformation and develop a range of digital business solutions to enhance service delivery and provide value for money.

Our aim is to achieve cost and efficiency savings by improving our services, reconfiguring our housing management and ensuring that we support tenants to pay their rent. We will design and provide more of our services in a digital form both for the external and internal user to ensure that Linc is best placed to meet the challenges of the digital world and provide timely performance information.

### **5.A Linc Talent and Leadership Programme**

An important element of our success over recent times has been our commitment to nurturing talent. Last April we launched the Learn and Grow Programme.

Our intention now is to continue with and build on the Learn to Grow Programme in two ways:

1. We will focus on creating, developing a coaching, and mentoring culture across the organisation. We will do this by creating a coaching relationship, where people learn how to improve their performance and where strengths and accomplishments are rewarded and acknowledged.
2. The formalisation of a Linc Talent and Leadership Programme Leadership.

### **6. Growth Strategy**

In December 2016, the Welsh Government, Community Housing Cymru and the Welsh Local Government Association signed a 5-year Agreement ("Pact") to work together to help deliver Welsh Government's 20,000 affordable housing target over its period in office. In the Pact, the housing association sector in Wales has committed to delivering 12,500 of these new homes, a big increase on previous years. Local authorities will also be delivering a significant number of new homes for the first time in years. The Pact also promises to create thousands of training, employment and apprenticeship opportunities by 2021.

# **Linc-Cymru Housing Association Limited**

## **Strategic Report**

### **For the year ended 31st March 2017 (continued)**

In January 2017, the Board agreed:

1. The principle of building a minimum of 500 homes that can be accommodated within current financial covenant limitations.
2. That the focus on growth should remain in our traditional areas whilst not discounting windfall opportunities that arise from time to time in other parts of Wales that add value to our core business.
3. That the Board should examine how even greater financial capacity can be achieved without undermining the ongoing ability of Linc to secure a sustainable future for its current assets.

## **Risk Management**

Linc has a well developed approach to the identification and evaluation of Risk. Linc's Risk Management Group (RMG) which comprises of Heads of Service from across the organisation meets quarterly to review existing risks and to identify any new risks that may have emerged. Risk Registers are maintained for all operational parts of the Business and each quarter the RMG reports to the Senior Management Board which considers the recommendations from the RMG and reviews the Corporate Risk Register in light of these recommendations. The Corporate Risk Register contains those risks which are judged by the Senior Management Board to be the strategic risks facing the organisation. The Senior Management Board reports to the Board quarterly on the key Corporate Risks and the Corporate Risk Register.

The key strategic risks which could impact on our ability to deliver on our strategic vision are described below.

### **Welfare Reform**

The risk associated with welfare reform in particular the impact of Universal Credit is non payment of rent. This will reduce our income and increase our costs as we deploy additional resource in collecting arrears.

We have a Welfare Reform Action Plan and Strategy and have an experienced Money Advice Team in place. We have an ongoing tenant profiling review in place and we identify vulnerable tenants in order to advise and support them.

### **The Introduction of the National Living Wage**

The introduction of the National Living Wage to at least £9 per hour by 2020 will impact significantly on Linc's cost base. We employ large numbers of carers in the nursing homes and staff in our facilities management teams who will benefit from these increasing hourly rates of pay.

We have modelled the impact of these increases and our financial forecasts are robust enough to meet the additional costs.

### **Negligent Health and Safety Failure**

Negligent Health & Safety failure which causes bodily injury, loss of life or serious ill health is one that applies to all parts of the business. The safety of our tenants, residents and staff is taken extremely seriously and we have put in place a range of controls and safeguards to maintain and improve our high standards. We review on a monthly basis key health & safety performance indicators and we have developed an extensive learning and development programme so that all of our staff are aware of their responsibilities in this area. We report to the Board quarterly on our health and safety performance and the Board receives health and safety learning and development training at least annually.

A key Health and Safety objective for 2017/18 is the development of a Fire Safety Strategy. The Strategy was approved by the Board in July 2017.

# **Linc-Cymru Housing Association Limited**

## **Strategic Report**

### **For the year ended 31st March 2017 (continued)**

#### **Nursing Homes**

There are a number of risks associated with our nursing homes. These include:

- The issuing of a non-compliance notice from CSSIW which may lead to action to de-register a home.
- Death, injury or abuse as a result of poor practice at a home. In addition to the detrimental impact on the individual, this may lead to reputational damage and impact on the viability of the home.
- Exposure to money saving strategies adopted by commissioners in health and social care resulting in a pressure to the financial viability of services in Linc Care.

We have in place robust controls to address these risks which are confirmed by the very low level of incidents and extremely positive CSSIW reports on each of the homes.

We have numerous controls in place to address money saving strategies including ensuring our contracts with commissioners are financially robust, demonstrating value for money in the services that we provide to our residents and ensuring that there is an income/fee raising environment.

#### **Regulatory Engagement**

The risk is that Linc does not take appropriate action in respect of the areas of Regulatory Engagement.

We have a meaningful regulatory engagement that is accurately recorded and a positive relationship which is open and transparent.

#### **Financial risk management objectives and policies**

Linc's activities expose it to a number of financial risks including, cash flow risk, liquidity risk and credit risk. The use of financial derivatives is governed by Linc's policies approved by the Board, which provide written principles on the use of financial derivatives to manage these risks. Linc does not use derivative financial instruments for speculative purposes. There were no derivative financial instruments in place at the year end.

#### **Cash Flow and Liquidity Risk**

Linc's activities expose it to the financial risks of changes in interest rates. Linc has a diversified loan portfolio which includes both variable interest rate, fixed interest rate and index linked loans. Linc does not enter into complex derivative contracts.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, Linc uses a mixture of long-term and short-term debt finance.

There are examples of failure in the sector which have been brought about by cash flow failures with the organisation unable to meet contractual payments. Linc has treasury management policies in place, including borrowing and investment policies with regular monitoring of our cash position, current and forecasting ahead, so that we minimise the risk of exposure.

#### **Credit risk**

Linc's principal financial assets are bank balances and cash, rent arrears and other receivables.

Linc's credit risk is primarily attributable to its rent arrears. The amounts presented in the Statement of Financial Position are net of allowances for bad debts. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Linc has no significant concentration of credit risk, with exposure spread over a large number of counterparties and tenants.



# Linc-Cymru Housing Association Limited

## Strategic Report

### For the year ended 31st March 2017 (continued)

#### Future Prospects

The Welsh Government has set a target for affordable homes for the current term of Government at 20,000 homes. This is an ambitious target and one that Linc is committed in helping to achieve. The funding proposals from April 2017 in respect of Housing Finance Grant 2 have been announced and we are reviewing our development proposals, capacity and cashflow projections in order to determine the contribution that we can make.

In April 2017 we purchased Ty Coch nursing home in Llanishen, a northern suburb of Cardiff. This nursing home, our third, will complement our existing nursing home operations. We have stringent selection criteria with location and quality being key drivers for new acquisitions. As with our previous nursing home developments we will ensure that Ty Coch is operating at the high standards our excellent reputation is built upon before we consider further developments and acquisitions.

We operate seven extracare schemes in Cardiff, Newport and Ebbw Vale. Our current development programme includes 2 extra care schemes in Bridgend and up to 5 extra care schemes in Rhondda Cynon Taff (RCT). With our existing operations, financial stability and resources we consider that the future prospects for Linc in meeting the growing housing and care needs are indeed positive.

Approved by the Board and signed on its behalf by:



Peter Green  
Chair



Richard Norton  
Board Member

# Linc-Cymru Housing Association Limited

## Board and Governance Report

### For the year ended 31st March 2017

#### Principal Objectives and Activities

The principal objectives and activities of Linc are the provision of rented accommodation and care and support services for people in need.

**Registered Office:** 387 Newport Road, Cardiff CF24 1GG

#### Professional Advisors

##### Internal Auditors:

Mazars LLP  
45 Church Street  
Birmingham  
B3 2RT

TIAA Ltd  
Business Support Centre  
53-55 Gosport Business Centre  
Aerodome Road  
Gosport, Hampshire  
PO13 0FQ

##### External Auditors:

Grant Thornton UK LLP  
Chartered Accountants  
11-13 Penhill Road  
Cardiff CF11 9UP

##### Solicitors:

Blake Morgan LLP  
One Central Square  
Cardiff  
CF10 1FS

Hugh James LLP  
Hodge House  
114-116 St Mary Street  
Cardiff CF10 1DY

Eversheds LLP  
1 Callaghan Square  
Cardiff  
CF10 5BT

##### Bankers:

HSBC Bank PLC  
15 Churchill Way  
Cardiff  
CF10 2HD

#### Board Members



##### Julia Attwell

Julia is Managing Director of Ffocws Consulting Ltd, providing business guidance on strategic planning, corporate governance and risk management. Julia sits on several Boards in South Wales, and joined Linc's Board in June 2016. She is a Member of the Audit Committee.



##### Helen Bennett

Helen retired from the NHS after 40 years. She now works for a Mental Health charity and is also a Magistrate. Helen was recently appointed by the Welsh Government as one of three members of the Independent Oversight Panel overseeing the Tawl Fan investigation and review. Helen joined Linc's Board in September 2008 and is a Member of the Audit Committee and the Nominations Committee.

# Linc-Cymru Housing Association Limited

## Board and Governance Report

### For the year ended 31st March 2017 (continued)



#### **Ellen Donovan**

Ellen is an experienced Management Board Director with her previous role as Sales & Operations Director for Debenhams PLC. Joining Linc's Board in May 2014, she is currently a Member of the Audit Committee, the Executive Remuneration Committee and the Pension Governance Committee.



#### **Richard Norton**

With over 25 years in senior financial roles in manufacturing, Richard joined Linc's Board in May 2014. He is currently Chair of the Audit Committee and Chair of the Pension Governance Committee. He is also a Member of the Nominations Committee.



#### **Peter Green**

Retired Housing Strategy Manager at Bridgend CBC, Peter joined Linc's Board in June 2011. He was elected as Chair in September 2012. He is also Chair of the Executive Remuneration Committee and Chair of the Nominations Committee.



#### **Jonathan Pearce**

Jonathan is a Financial Director employed by a SME based in South Wales. He has over 20 years financial management experience. Jonathan joined Linc's Board in June 2016 and is a Member of the Audit Committee and a Director of Tarbed Ltd, a subsidiary of Linc.



#### **Diana Whitlock**

Diana joined Linc's Board in September 2009 when she was a tenant of Linc. She ceased to be a tenant from July 2015 but was asked to remain as a Board Member. She is a Member of the Audit Committee and the Nominations Committee (for tenant Board Member recruitment).



#### **Peter Williams**

Retired Director for Business in the Community Wales, Peter joined Linc's Board in February 2008. He is a Member of the Audit Committee and the Executive Remuneration Committee. He is also the Chair of Tarbed Ltd, a subsidiary of Linc.



#### **Keith Shankland**

Director of KS Associates, Keith joined Linc's Board in October 2009. He is a Member of the Executive Remuneration Committee and Nominations Committee.

#### **Former Board Member**

During the year the following Board Members left the Board.

**David Clarke:** September 2016.

**Adrian Crompton:** September 2016.

**Lawrence O'Leary:** September 2016.

**Rhian Edwards:** February 2017.

# Linc-Cymru Housing Association Limited Board and Governance Report For the year ended 31st March 2017 (continued)

## Executive Officers



**Robert Smith**  
Chief Executive

Robert concentrates on strategic business planning, corporate communications and governance. He leads on Linc's New Business Strategy and is a Director of Tarbed Ltd.



**Campbell Bardo**  
Executive Director  
Corporate Services

Campbell concentrates on strategic finance, corporate services and the role of Company Secretary. He is Deputy Chief Executive and a Director of Tarbed Ltd.



**Anne Thomas**  
Executive Director  
Linc Care

Anne is responsible for all of the planning, development, direction and performance of all aspects of our health and social care division Linc Care.



**Nicola Smith**  
Executive Director  
Linc Homes

Nicola is responsible for all aspects of our Homes business including our Customer Contact Centre and is the lead Director for the Linc Tenants' Panel.

The Executive Officers of Linc hold no interest in Linc's share capital and although not having the legal status of Directors they act as Executives within the authority delegated by the Board.



# **Linc-Cymru Housing Association Limited**

## **Board and Governance Report**

### **For the year ended 31st March 2017 (continued)**

#### **Board and Corporate Governance**

The activities of Linc are overseen by the Board which meets on a monthly basis. There are four Committees that report directly to the Board and these oversee specific areas of activity:-

#### **Audit Committee**

The Audit Committee meets at least three times a year. The objectives and purpose of the Audit Committee are to support and advise the Board in fulfilling its duty to ensure that:

1. The necessary systems, controls and procedures are established and maintained in order to safeguard the interests of all stakeholders in Linc's activities.
2. Systems and procedures are established to ensure the most efficient and effective use of Linc's resources.

The Audit Committee recommends the appointment of the internal and external auditors to the Board and considers all audit and governance issues arising from both the internal and external auditors. The Committee approves the annual internal audit programme and audit risk assessment.

#### **Pension Governance Committee**

The Pension Governance Committee meets at least twice a year. The objectives and purpose of the Pension Governance Committee are to support and advise the Board in fulfilling its duty to:

1. Ensure that the necessary systems and procedures are established and maintained to safeguard the interests of Linc's Aegon pension scheme members.
2. Promote the efficient and effective use of Linc's resources in all matters pertaining to the Aegon pension scheme.
3. Ensure that the necessary systems and procedures are established and maintained to safeguard the interests of Linc's Employees automatically enrolled into the NEST pension scheme.

#### **Executive Remuneration Committee**

The Executive Remuneration Committee is responsible, on behalf of the Board for considering and recommending to the Board all matters relating to the remuneration and terms and conditions of employment of the Chief Executive and the Executive Directors, who together form the Corporate Executive Team.

#### **Nomination Committee**

The objective and purpose of the Nomination Committee is to support and advise the Board in fulfilling its Governance responsibilities and under the Rules in ensuring that the Board is comprised of individuals who are best able to fulfill the responsibilities of Board Members as laid out in the Rules and Regulatory Requirements issued by the Welsh Assembly Government.

#### **Statement of the Board Members' Responsibilities**

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

# **Linc-Cymru Housing Association Limited**

## **Board and Governance Report**

### **For the year ended 31st March 2017 (continued)**

Housing Association legislation requires the Board to prepare financial statements for each financial year. Under that legislation the Board has elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Housing Association legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Linc and of the surplus or deficit of Linc for that period. In preparing these financial statements, the Board is required to:-

- select suitable accounting policies and then apply them consistently.
- make judgments and accounting estimates that are reasonable and prudent.
- state whether applicable UK 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 Linc will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain Linc's transactions and disclose with reasonable accuracy at any time the financial position of Linc and enable them to ensure that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015.

The Board is also responsible for safeguarding the assets of Linc and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on Linc's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Disclosure of Information to Auditors**

Each of the Board Members at the date of approval of this report has confirmed that:

- As far as the Board Members are aware, there is no relevant audit information of which Linc's auditor is unaware, and
- The Board Members have taken all the steps that they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that Linc's auditor is aware of that information.

## **Internal Financial Control**

The Welsh Government requires Registered Social Landlords (RSLs) to report on internal controls (Welsh Government Circular RSL 02/10).

The Board acknowledges its overall responsibility for establishing and maintaining the system of internal financial control and for reviewing its effectiveness. The system of internal financial control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

# Linc-Cymru Housing Association Limited

## Board and Governance Report

### For the year ended 31st March 2017 (continued)

The Board has reviewed the effectiveness of Linc's internal financial control system for the period from 1st April 2016 to 7th September 2017, the date of this report.

The following mechanisms are in place and are designed to provide effective internal control: -

- Standing Orders and Financial Regulations which detail the delegated authority from the Board of Management to Officers.
- Management information and accounting systems with monthly reporting of financial results and other performance indicators compared with forecasts and budgets.
- Rolling five year strategic plans, forecasts and development plans.
- A business model forecasting Linc's financial position over the next 30 years.
- Monitoring of the control system by the Audit Committee, internal auditors and external auditors.
- Ensuring that formal policies and procedures are in place, including the documentation of key systems.
- Linc has in place a process for identifying, evaluating and managing the significant risks it faces. The Corporate Risk Register which is supported by individual Departmental Risk Registers is reviewed at each meeting of the Audit Committee, by the Senior Management Board and the Board quarterly. This process has been in place for the whole of the period covered by these financial statements up to and including 7th September 2017.
- Linc has policies and procedures to safeguard its assets and to prevent and detect fraud and other irregularities. The Board has general responsibility for taking such steps as are reasonably open to it for the prevention and detection of fraud and recovery of assets.

## Governance Review

During the year the Board reviewed the following: -

- Board composition in light of the adoption of the Community Housing Cymru Code of Governance. In accordance with that Code and subject to re-election, a Board Member may serve for a maximum number of 3 consecutive terms of three years, therefore a maximum of 9 consecutive years.
- Performance of the Board with individual Board Member appraisals having been undertaken by the Chair with the support of external consultants.
- The skills, expertise and experience of the Board.
- The recruitment of an additional new Board Member.
- The Rules of Linc. The Board approved the adoption of new Rules which are based on the Model Rules that have been endorsed by the Welsh Government and Community Housing Cymru. The Shareholders of Linc adopted the new Rules at the Annual General Meeting held on Thursday 29th September 2016 and the new Rules were subsequently approved by the Financial Conduct Authority.

Linc aims to ensure a diverse Board Membership which is representative of the areas in which it provides housing, health and social care schemes and services and to recruit members to serve on its Board of Management. Board Membership shall be open to all who: -

- Meet the requirements of membership as laid down in Linc's Rules.
- Openly and genuinely support the principle of delivering the strategic plans and priorities of Linc in respect of housing, health and social care.
- Have no business interest in Linc.

# **Linc-Cymru Housing Association Limited**

## **Board and Governance Report**

### **For the year ended 31st March 2017 (continued)**

The Board as a whole benefits by having Members with the following skills, knowledge and experience:-

- Governance, business and strategic management.
- Commercial experience.
- Treasury management, funding and risk management.
- Social enterprise and community development.
- Media, public relations and marketing.
- Business transformation in a digital era.
- Human resources, training and development.
- Asset management, construction industry including related professional services and property development.
- Legal.
- Social and affordable housing, health and social care activities.
- Customer Service.
- Equality and diversity.

The Board is supported and advised by a Corporate Executive Team led by the Chief Executive. The Team comprise people with considerable knowledge and experience of both the strategic environment and the operational requirements of Linc.

Existing Board Members are encouraged to provide the Board with up to 6 months' notice of their intention to leave the Board (except where a Member is completing the maximum of 9 years' term). This aids succession planning and mitigates against big changes at any one time.

At least annually, the Nomination Committee reviews the membership of the Board taking into account succession planning and identifies skills, knowledge and experience gaps. The Committee reports on its findings to the Board.

## **Tenant and Resident Involvement and Engagement**

Linc tenants have continued to work with us to improve services, performance, to develop and strengthen communities, and help us demonstrate value for money. Linc has used a range of models of engagement to work with our tenants to shape and improve services across the business.

Our tenant panel provides critical challenge to the business, and now undertakes regular self-evaluation of our core service areas. The panel has once again grown in numbers and the tenants have a wide range of skills to help us improve our services.

The Tenant Service Tests provided scrutiny across a range of areas, and the recommendations and feedback help us improve our services to all tenants. Recent tests include the work of our customer service department and community safety.

Linc recognises the valuable contribution tenant involvement can bring and is committed to providing appropriate resources to encourage active participation. This involvement takes the form of constituted groups such as our many active Tenant Resident Associations (TRAs), as well as the informal groups formed to address common interests or individual tenants who attend meetings and other events with Linc. During the year tenants arranged and facilitated a large range of events, aimed at enhancing community life, and engaging with local people.



# **Linc-Cymru Housing Association Limited**

## **Board and Governance Report**

### **For the year ended 31st March 2017 (continued)**

The annual Tenant Participation Advisory Service (TPAS) awards showcase the best in tenant participation in Wales. We were very pleased that our tenants and community engagement team won four awards for their work in communities and with Linc over the past year.

## **Employee Involvement and Participation**

Linc has a network of employee consultation and communication arrangements designed to encourage the involvement and interest of employees in Linc's business and their awareness of its plans and objectives.

Consultation and communication is more challenging as we continue our move from the majority of staff operating out of our Cardiff Head Office to increasing numbers of staff delivering services in the community.

Linc utilises a range of methods for communicating, engaging with, and taking on board feedback from its employees. Over the last few years the methods for communicating have evolved with changes in technology and culture, resulting in increased electronic communication, and decreased reliance on traditional methods.

Yammer was successfully launched over a year ago, and provides an effective way to communicate with all employees. Engaging with remote workers whom are located away from the Head Office previously represented a challenge, with dependency upon traditional staff newsletters and team briefings. Yammer has allowed 'real-time' communication between all areas of the business, and allows employees whatever their position and location to be well informed, contribute to discussions, and share ideas.

Line managers continue to hold primary responsibility for communicating with and involving staff in decisions which affect them. Formal consultation processes are followed where legally required, and include the recent TUPE transfer at Ty Coch Nursing Home which resulted in the successful on boarding of just under 100 employees into Linc.

## **Regulatory Opinion and Financial Viability**

The last financial viability judgement was issued by the Welsh Government in December 2016. Linc-Cymru Housing Association Limited received a "Pass" judgment, unchanged from the judgments received in previous years. The Regulatory Opinion further concluded that:

"The Association has adequate resources to meet its current and forecasted future business and financial commitments."

"Overall governance arrangements within Linc provide good challenge and control mechanisms. The Board has adopted a revised governance strategy and action plan to comply with Community Housing Cymru's Code of Governance. The Association is developing a Board Assurance Framework to support governance and business planning. Risk identification and management is embedded throughout the organisation, with a comprehensive risk management methodology to provide Board assurance. Linc is scheduled to complete the purchase of a nursing home business in February 2017. Linc will then hold on any further increase of market share in the nursing home sector, prioritising support for the delivery of Welsh Government affordable homes targets."

"Asset management is supported by a property sustainability strategy and Linc actively reviews its strategic approach to asset management, to support its ambition to provide an additional 522 new homes by 2020/21."

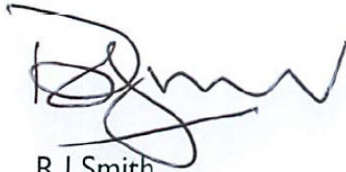
"The Association is further developing its strategic approach to achieving and demonstrating value for money in the provision of services. Resident involvement and engagement is valued and contributes towards community development."

**Linc-Cymru Housing Association Limited**  
**Board and Governance Report**  
**For the year ended 31st March 2017 (continued)**

**Auditors**

A resolution to re-appoint Grant Thornton UK LLP as auditors of Linc will be proposed at the Annual General Meeting.

By the order of the Board

A handwritten signature in black ink, appearing to read 'R J Smith', with a large, stylized flourish extending to the right.

R J Smith  
Chief Executive

# Linc-Cymru Housing Association Limited

## Financial and Performance Review

### For the year ended 31st March 2017

## Financial Review

In summary the Association's financial results for the year ended 31st March are considered to be satisfactory. The surplus for the year amounted to £4.8 million compared to the budgeted surplus of £3.0 million. The Board receives monthly finance reports which detail any trends as they emerge. All surpluses are retained by the Association in accordance with the Rules with no distributions made to Shareholders. The three main reasons for the increase in surplus over that budgeted are:

1. The improved performance of the nursing homes with turnover up by £700,000 on budget as a result of higher occupancy and increased fee levels.
2. Bank Base Rate remaining at 0.25% for the whole of the financial year. Our budget assumptions had included a higher rate of interest.
3. A revaluation surplus of £647,000 on our investment properties following the annual revaluation required under accounting standards.

## Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## Significant management judgements

The following are management judgements in applying the accounting policies of Linc that have the most significant effect on the amounts recognised in the financial statements. In making these judgements, management has considered the detailed criteria set out in the SORP.

- **Impairment of Social Housing Properties.**

Linc has to make an assessment as to whether an indicator of impairment exists on any of its properties.

- **Property Classifications**

Linc has to make an assessment as to the classification of properties and whether the properties fall into Property Plant and Equipment (PPE) or are treated as Investment Properties.

- **Financial Instruments**

Linc has to make an assessment as to the classification of its loan portfolio between Basic Financial Instruments and Other/Non Basic Financial Instruments.

**Linc-Cymru Housing Association Limited**  
**Financial and Performance Review**  
**For the year ended 31st March 2017 (continued)**

**Estimation uncertainty**

Linc makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Useful lives of property, plant and equipment (fixed assets)**

Freehold Offices	25 years
Office Improvements	5 years
Office Furniture and Equipment	3 to 10 years
Computer Equipment	4 to 5 years
Motor Vehicles	4 years

**The main components of housing properties and their useful lives**

	Housing Properties	Care Properties
Structure	150 years	50 years
Roofs	75 years	50 years
Windows and doors	35 years	35 years
Bathrooms	30 years	30 years
Boilers and heating systems	20 years	20 years
Kitchens	15 years	15 & 20 years
Lifts	15 years	15 years

# Linc-Cymru Housing Association Limited

## Financial and Performance Review

### For the year ended 31st March 2017 (continued)

## Fair value measurement

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

## Provisions

Provision is made for bad debts. This provision requires management's best estimate of the costs that will be incurred based on legislative and contractual requirements and Linc's ability to collect rents and service charges as they fall due.

## Consolidated Statement of Comprehensive Income

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Turnover	33,152	30,834
Operating expenditure	(25,003)	(23,253)
<b>Operating surplus</b>	<b>8,149</b>	<b>7,581</b>
Gain on disposal of property, plant and equipment	65	157
Finance Income	92	101
Interest and financing costs	(4,196)	(4,155)
Surplus on revaluation of investment properties	647	191
<b>Total Comprehensive income for the year</b>	<b>4,757</b>	<b>3,875</b>

## Turnover

Turnover for the year ended 31st March 2017 rose by £2.4 million (7.5%) from £30.8 million to £33.2 million. This planned increase derived from two main sources.

- Rents from Social Housing lettings increased by £0.8 million (3.2%) reflecting the rent increase from 1st April 2016 of 2.5% and additional units coming into management. We increased our rents by the maximum amount permitted under the rent policy of the Welsh Government.
- Fee income from the two registered nursing homes increased by £1.5 million (24.6%) compared to the previous year as a result of increased occupancy and increased fee levels. Both homes are continuing to operate at above budgeted occupancy and fee levels so far during the 2017/18 financial year.

# **Linc-Cymru Housing Association Limited**

## **Financial and Performance Review**

### **For the year ended 31st March 2017 (continued)**

## **Operating Expenditure**

Operating costs increased by £1.75 million (7.5%) which was in line with the increase in turnover leading to an increased operating surplus of £0.6 million (7.5%). Specifically: -

- Asset management costs increased following Board approval for additional health and safety works on electrical installations.
- Staff costs increased reflecting:
  1. The 2016/17 annual pay award.
  2. The increase in the National Minimum Wage. This increase impacts our costs base due to the numbers of carers and facilities staff we employ in our nursing homes and schemes.
  3. The additional posts approved by the Board following the annual review of organisational change.

## **Interest and Financing Costs**

Interest payable at £4.196 million was marginally higher than in the preceding year. The Bank Base Rate remained at 0.25% throughout the whole of the financial years ended 31st March 2017 and 2016.

Total loans at 31st March 2017 amounted to £102.6 million a net increase of £4.9 million during the year. A high proportion (53%) of the loan portfolio continues to be held in fixed interest rate facilities. The average cost of borrowing for the year ended 31st March 2017 was 4.1% compared to 4.3% for the year ended 31st March 2016.

## **Disposal of Property Plant and Equipment**

A net surplus of £65,000 was recorded on the disposal of property plant and equipment. During the year 23 property transactions took place and included 1 shared ownership stair casing transaction, 1 home buy option transaction, 2 right to acquire and 19 voluntary sales. The 19 voluntary sales were made in accordance with the Board approved Property Sustainability Strategy.

## **Surplus on Revaluation of Investment Properties**

Linc owns and manages a number of market rent properties which under FRS 102 are included as investment properties, these being non-social housing properties held for letting. These investment properties are valued annually in accordance with the requirements of FRS 102 and the 2014 SORP and the surplus on the valuation carried out in 2017 resulted in an increase in the value of the properties of £647,000. Linc has no intention of disposing of these housing properties and the increase in value will only be realised should these properties be sold.

## **Linc Care Performance Review**

Linc is committed to ensuring that the service it offers to frail, elderly and vulnerable adults continues to evolve and adapt to meet the needs of the people who use our services as well as the political and financial environment in which we operate.

The people who live in our nursing homes have high levels of social and care needs. We have embraced the focus on wellbeing, dignity and control described in the Social Services and Wellbeing Act and are proactive in the design and delivery of care that meets the needs of each individual.

## Linc-Cymru Housing Association Limited

### Financial and Performance Review

#### For the year ended 31st March 2017 (continued)

We have chosen to use the Eden Alternative UK philosophy of care and put the people we care for at the centre of all we do. Both of our nursing homes have achieved the Eden Alternative accreditation. We recently acquired Ty Coch Nursing Home in April 2017 that is going to embark on the Eden journey to accreditation. This accreditation acknowledges the work we do to focus on what is important for people to achieve a good quality of life and with the opportunity to make choices and maintain control. It also helps us to describe our person centered approach to potential customers and to use a values based process for staff recruitment.

Our nursing homes are in high demand from people looking for good quality care. Our focus on quality of service, governance and financial management provides a triangulated approach to the management of our services and assurance to customers, commissioners, the regulator and our board. Linc believes that the quality of care is paramount and the board scrutinises the performance of the business to ensure that financial focus is in balance with the focus on quality of care.

The independent living housing options we provide in Linc Care continue to be in high demand with negligible voids. We have invested in the things that matter most to our tenants, ensuring that they feel safe whilst enabling them to maximise and maintain their independence. We have retained our scheme managers in our sheltered schemes which have also benefited from a proactive programme of planned maintenance and refurbishment making them a desirable and positive life choice for people who benefit from the supportive and adapted environment. Our extra care schemes are also designed and built around the people who want to live in them ensuring that, wherever possible, people do not have to move home because their environment failed them. People want to stay in their own home and by offering appropriate physical adaptations, we are very successful in supporting people to achieve this goal.

The next few years will continue to present financial and operational challenges to associations delivering housing, care and support for vulnerable and older people. We will continue to work hard to ensure that the financial pressures on public funding and the impact of changes to legislation do not compromise our focus on delivering a high standard of accommodation, care and support to the people who use our services. Linc has a track record of being innovative and positively adapting to new challenges, seizing the opportunities that they present.

### Consolidated Statement of Financial Position

	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Fixed Assets	265.9	259.8
Current Assets	22.3	14.8
<b>Total Assets</b>	<b>288.2</b>	<b>274.6</b>
Housing Loans	102.6	97.7
Government Grant	136.0	133.0
All other Liabilities	4.5	3.6
<b>Total Liabilities</b>	<b>243.1</b>	<b>234.3</b>
<b>Net assets as represented by reserves</b>	<b>45.1</b>	<b>40.3</b>

### Reserves Statement

Total reserves at 31st March 2017 were £45.1 million an increase of £4.8 million (11.9%) on 2016. £42.9 million of the reserves were income & expenditure reserves with the remaining £2.2 million being designated reserves

# Linc-Cymru Housing Association Limited

## Financial and Performance Review

### For the year ended 31st March 2017 (continued)

that have been set aside for the replacement of service equipment at specific schemes.

The income and expenditure reserves represent the accumulated annual surpluses (and deficits) since Linc was formed in 1977. The reserves are not cash backed and have been invested in housing properties which are not funded by grant or loans. The reserves are used for the following purposes: -

- To invest in the development of existing and new schemes.
- To meet the financial covenants of Linc's private funders, particularly the gearing covenant.
- To provide a reserve against future risks and unplanned budget deficits.

## Working Capital and Treasury Management

The working capital position of Linc at 31st March 2017 was satisfactory. Net current assets amounted to £13.47 million compared to net current assets of £7.36 million at 31st March 2016, an increase of £6.11 million. This planned increase in working capital reflected the drawdown of private funding in advance of requirements in line with drawdown commitments.

Cash and cash equivalents at £15.1 million remained higher than would normally be the case and reflects the decision to draw down private finance in advance. This has ensured that we have the cash resources to fund to completion of all new Board approved schemes. Linc's Treasury Management Policy in the normal course of business is to maintain cash balances of approximately £1 million.

## Capital Expenditure on New Homes

During the year capital expenditure of £9.1 million was incurred in developing new schemes. At the end of the year capital commitments relating to ongoing development amounted to £53.6 million which will be funded by a combination of Social Housing Grant, Housing Finance Grant and private finance.

## Depreciation

Linc depreciates the major components of its properties over the following useful economic lives:

### Housing properties

Structure	150 years
Roofs	75 years
Windows and doors	35 years
Bathrooms	30 years
Boilers and heating systems	20 years
Kitchens	15 years
Lifts	15 years

### Care properties

Structure	50 years
Roofs	50 years
Windows and doors	35 years
Bathrooms	30 years
Boilers and heating systems	20 years
Kitchens	15 & 20 years
Lifts	15 years

Land is not depreciated.



# Linc-Cymru Housing Association Limited

## Financial and Performance Review

### For the year ended 31st March 2017 (continued)

## Funding

Housing properties which have an historic cost of £291 million at 31st March 2017 are financed as follows:

Social Housing Grant (£154m)	<b>53%</b>
Private finance (£103m)	<b>35%</b>
Reserves and working capital (£34m)	<b>12%</b>

Linc has eight funders who provide private finance. The funding provided by each at 31st March 2017 was:

<b>Funder</b>	<b>Facility Amount (£)</b>
Co-operative Bank Plc	8.0m
Dexia Credit Local	38.0m
HBOS Plc	2.8m
M&G Investments Ltd.	6.1m
Nationwide Building Society	23.0m
Orchardbrook Plc	1.9m
Principality Building Society	9.5m
RBS Plc	13.5m
Welsh Government	0.5m

## Undrawn Facilities

A loan facility for £25 million is in place with the Royal Bank of Scotland Plc. £15 million of this facility had been drawn by 31st March 2017 and the remaining £10 million was drawn in June 2017.

## Financial Covenants

Compliance with loan covenants is monitored and reported to the Board each month. Linc met all of the requirements of the financial covenants contained within the loan documentation of its private funders during the year ended 31st March 2017.

# Linc-Cymru Housing Association Limited

## Financial and Performance Review

### For the year ended 31st March 2017 (continued)

## Property Stock

Property stock in management at 31st March 2017 was as follows:

General Needs	2,860
Extra Care	312
Sheltered and Supported Housing	503
Shared Ownership	151
Home Buy Option	99
Intermediate / Market Rent	288
Nursing Care	147
Retail units	9
<b>Total Units</b>	<b>4,369</b>

## Employees

The average number of employees during the year was 490 (2016, 442 employees) with 374 full time equivalents (2016, 342 full time equivalents). Our strategy for our nursing homes is to be less dependent on costly agency staff used to cover planned and unplanned absences. We have therefore recruited additional nursing staff and carers to provide backfill thus reducing the reliance on agency staff. Rather than carry vacancies we are now fully recruited for these posts.

## Learning and Development

We place great emphasis on the learning and development of our employees so that they keep up to date with changes in legislation and modern approaches including technology. We have a consistent track record of promoting from within as well as supporting people to always work to the best of their abilities.

The Board receives quarterly learning and development sessions on a wide range of topics pertinent to our business. In the past year the Board has received learning and development on: key performance indicators, health and safety, regulation, the role of internal audit and an effective audit committee, risk management and a board assurance framework.

## Welsh Homes Quality Standard

Linc achieved compliance with the Welsh Homes Quality Standard (WHQS) back in 2012/13 and we are committed to maintaining our stock to this standard. The financial projections contained in our thirty year financial model confirm that Linc can afford to fund the maintenance works required to maintain the WHQS standard over the next thirty years from annual revenue streams. The programme of works is ongoing.

# **Linc-Cymru Housing Association Limited**

## **Financial and Performance Review**

### **For the year ended 31st March 2017 (continued)**

#### **Performance Indicators**

Targets are set for published Key Performance Indicators (KPI's) and they are used in the management of performance and in setting the strategies for continuous improvement. All indicators are derived from internal data and are calculated in accordance with published KPI's. Performance against these indicators is reported to the Board quarterly. A seven year summary of the operating and financial results of Linc is detailed on pages 60 and 61 of the financial statements.

#### **Group Financial Statements and Subsidiary Company**

In August 2009 Linc formed a subsidiary company Tarbed Limited to undertake development work on behalf of Linc in order to maximise the financial viability of new developments. The subsidiary is 100 per cent owned by Linc and the results of Tarbed are included in the consolidated group financial statements of Linc-Cymru Housing Association.

Tarbed Limited made an annual profit before tax in the year ended 31st March 2017 of £35,865 and £35,000 of this profit was remitted to Linc-Cymru Housing Association under the Corporate Gift Aid provisions. Copies of the financial statements of Tarbed Limited are available from Linc's Company Secretary.

#### **Property Sustainability Strategy**

Linc has a Board approved long term Property Sustainability Strategy. The strategy addresses the sector risk which identified that there may be properties in areas where current demand is not as strong as it once was, with the ensuing risks of low demand, voids and impairment. Linc's strategy has identified specific areas and properties where we have evaluated that these risks will develop in the future. When one of the properties in the strategy becomes vacant a decision is made on whether to dispose of the property. The Board reviews the strategy every year as part of the business planning process. In the 2016/17 financial year 19 properties included in the strategy were sold.

#### **Development**

During the year 63 new properties came into management at Brackla and Pyle in Bridgend, at Ebbw Vale in Blaenau Gwent and at Rogerstone. During the year we secured and commenced development on a number of key sites which will come into management over the next two years.

#### **Developments Planned for 2016/17 to 2020/21**

The Board has approved a development programme for the next five years which amounts to 607 properties coming into management in this period. The development programme includes extracare schemes for both Bridgend and Rhondda Cynon Taff County Borough Councils.

Progress on the development programme is reviewed quarterly by the Board.

These schemes will be funded by Social Housing Grant, Housing Finance Grant and private finance loans.

At 31st March 2017 the Association had £3.6 million in the Recycled Capital Grant Fund. £0.5 million of this fund has been allocated to two schemes that will be developed during 2017/18.

## **Independent auditor's report to the members of Linc-Cymru Housing Association Limited**

We have audited the financial statements of Linc-Cymru Housing Association Limited for the year ended 31 March 2017, which comprise the consolidated statement of comprehensive income, the association statement of comprehensive income, the consolidated statement of financial position, the association statement of financial position, the consolidated statement of changes in reserves, the association statement of changes in reserves, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of Board's Responsibilities set out on pages 11 and 12, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

In addition to our audit of the financial statements we have reviewed the Board's statement on pages 12 and 13 on the Association's compliance with the Welsh Assembly Government's internal control Circular 02/10 ('the circular'). We report whether the Board has provided the disclosures required by the circular and whether the statement is not inconsistent with information of which we are aware from our audit of the Financial Statements. We are not required to express any opinion on the effectiveness of the Association's system of internal financial control.

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent society's affairs as at 31 March 2017 and of the group and parent's income and expenditure for the 31 March 2017 then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Requirements for Registered Social Landlords General Determination (Wales 2015).

**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 parent society has not kept proper accounting records;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

With respect to the Board's statement on internal financial controls on pages 12 and 13, in our opinion the Board has provided the disclosures required by the Circular and the statement is not inconsistent with the information of which we are aware from our audit work on the Financial Statements.



Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
CARDIFF  
7th September 2017

**Linc-Cymru Housing Association Limited**  
**Consolidated Statement of Comprehensive Income**  
**For the year ended 31st March 2017**

	Notes	March 2017 £000	March 2016 £000
<b>Turnover</b>	2	<b>33,152</b>	<b>30,834</b>
<b>Operating expenditure</b>	2	<b>(25,003)</b>	<b>(23,253)</b>
<b>Operating surplus</b>	2	<b>8,149</b>	<b>7,581</b>
Gain on disposal of property, plant and equipment (fixed assets)		<b>65</b>	<b>157</b>
Finance Income	3	<b>92</b>	<b>101</b>
Interest and financing costs	5	<b>(4,196)</b>	<b>(4,155)</b>
Surplus on revaluation of investment properties		<b>647</b>	<b>191</b>
<b>Surplus for the year</b>		<b>4,757</b>	<b>3,875</b>
<b>Total Comprehensive income for the year</b>		<b>4,757</b>	<b>3,875</b>

**Continuing Operations**

The results for the year ending 31st March 2017 and the year ended 31st March 2016 relate wholly to continuing activities.


The financial statements were approved by the Board of management and authorised on 7th September 2017 and signed on their behalf by:



..... Peter Green (Chair)



..... Richard Norton (Board Member)



..... Campbell Bardo (Secretary)

**Linc-Cymru Housing Association Limited**  
**Association Statement of Comprehensive Income**  
**For the year ended 31st March 2017**

	Notes	March 2017 £000	March 2016 £000
<b>Turnover</b>	2	<b>33,152</b>	<b>30,834</b>
<b>Operating expenditure</b>	2	<b>(25,005)</b>	<b>(23,255)</b>
<b>Operating surplus</b>	2	<b>8,147</b>	<b>7,579</b>
Gain on disposal of property, plant and equipment (fixed assets)		65	157
Finance Income	3	131	151
Interest and financing costs	5	(4,196)	(4,155)
Surplus on revaluation of investment properties		647	191
<b>Surplus for the year</b>		<b>4,794</b>	<b>3,923</b>
<b>Total Comprehensive income for the year</b>		<b>4,794</b>	<b>3,923</b>

**Continuing Operations**

The results for the year ending 31st March 2017 and the year ended 31st March 2016 relate wholly to continuing activities.

The financial statements were approved by the Board of management and authorised on 7th September 2017 and signed on their behalf by:



..... Peter Green (Chair)



..... Richard Norton (Board Member)



..... Campbell Bardo (Secretary)

**Linc-Cymru Housing Association Limited**  
**Consolidated Statement of Financial Position**  
**For the year ended 31st March 2017**

	Notes	March 2017 £000	March 2016 £000
<b>Fixed Assets</b>			
Tangible Fixed Assets			
Housing properties	9	252,651	247,280
Other fixed assets	10	2,571	2,441
Investment Properties	11	9,855	9,210
Homebuy loans receivable	12	860	860
Investment in subsidiaries	13	0	0
<b>Total Fixed Assets</b>		<b>265,937</b>	<b>259,791</b>
<b>Current Assets</b>			
Trade and other debtors	15	7,170	3,706
Cash and cash equivalents	16	15,151	11,146
		<b>22,321</b>	<b>14,852</b>
<b>Creditors: amounts falling due within one year</b>	17	<b>(8,849)</b>	<b>(7,490)</b>
Net current assets		13,472	7,362
<b>Total Assets less Current Liabilities</b>		<b>279,409</b>	<b>267,153</b>
Creditors: amounts falling due after more than one year	18	(234,272)	(226,773)
<b>Total Net Assets</b>		<b>45,137</b>	<b>40,380</b>
<b>Capital and Reserves</b>			
Designated Reserve		2,174	2,002
Income & Expenditure Reserve		42,963	38,378
<b>Total Reserves</b>		<b>45,137</b>	<b>40,380</b>

The financial statements were approved by the Board of management and authorised on 7th September 2017 and signed on their behalf by:



..... Peter Green (Chair)



..... Richard Norton (Board Member)



..... Campbell Bardo (Secretary)



**Linc-Cymru Housing Association Limited**  
**Association Statement of Financial Position**  
**For the year ended 31st March 2017**

	Notes	<b>March 2017 £000</b>	March 2016 £000
<b>Fixed Assets</b>			
Tangible Fixed Assets			
Housing properties	9	252,935	247,526
Other fixed assets	10	2,571	2,441
Investment Properties	11	9,855	9,210
Homebuy loans receivable	12	860	860
Investment in subsidiaries	13	0	0
<b>Total Fixed Assets</b>		<b>266,221</b>	260,037
<b>Current Assets</b>			
Trade and other debtors	15	7,465	3,820
Cash and cash equivalents	16	14,904	11,030
		<b>22,369</b>	14,850
<b>Creditors: amounts falling due within one year</b>	17	<b>(8,905)</b>	(7,495)
Net current assets		13,464	7,355
<b>Total Assets less Current Liabilities</b>		<b>279,685</b>	267,392
Creditors: amounts falling due after more than one year	18	(234,272)	(226,773)
<b>Total Net Assets</b>		<b>45,413</b>	40,619
<b>Capital and Reserves</b>			
Designated Reserve		2,174	2,002
Income & Expenditure Reserve		43,239	38,617
<b>Total Reserves</b>		<b>45,413</b>	40,619

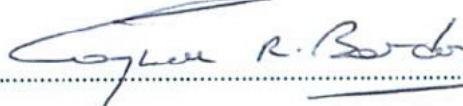
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Peter Green (Chair)



Richard Norton (Board Member)



Campbell Bardo (Secretary)

**Linc-Cymru Housing Association Limited**  
**Consolidated Statement of Changes in Reserves**  
**For the year ended 31st March 2017**

	<b>Supported Housing £000</b>	<b>Service Equipment £000</b>	<b>Total Designated £000</b>	<b>Revenue £000</b>
<b>Balance at 1st April 2015</b>	311	1,654	1,965	34,540
Surplus for the year	0	0	0	3,875
Transfer to reserves	(23)	(255)	(278)	278
Transfer from reserves	43	272	315	(315)
<b>Balance at 31st March 2016</b>	331	1,671	2,002	38,378
Surplus for the year	0	0	0	4,757
Transfer to reserves	(22)	(130)	(152)	152
Transfer from reserves	44	280	324	(324)
<b>Balance at 31st March 2017</b>	353	1,821	2,174	42,963

**Linc-Cymru Housing Association Limited**  
**Association Statement of Changes in Reserves**  
**For the year ended 31st March 2017**

	<b>Supported Housing £000</b>	<b>Service Equipment £000</b>	<b>Total Designated £000</b>	<b>Revenue £000</b>
<b>Balance at 1st April 2015</b>	311	1,654	1,965	34,731
Surplus for the year	0	0	0	3,923
Transfer to reserves	(23)	(255)	(278)	278
Transfer from reserves	43	272	315	(315)
<b>Balance at 31st March 2016</b>	331	1,671	2,002	38,617
Surplus for the year	0	0	0	4,794
Transfer to reserves	(22)	(130)	(152)	152
Transfer from reserves	44	280	324	(324)
<b>Balance at 31st March 2017</b>	353	1,821	2,174	43,239

**Linc-Cymru Housing Association Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended 31st March 2017**

	<b>March 2017 £000</b>	<b>March 2016 £000</b>
<b>Surplus for the year</b>	<b>4,757</b>	<b>3,875</b>
<b>Adjustment for non-cash items:</b>		
Depreciation of property, plant and equipment	4,104	3,883
Decrease in debtors	(954)	44
Increase / (decrease) in creditors	918	(226)
Impairment loss on property, plant and equipment	142	0
(Increase) in fair value of investment property	(645)	(191)
<b>Adjustments for investing or financing activities:</b>		
Profit/(loss) from the sale of property, plant and equipment	(65)	(157)
Government grants utilised in the year	(1,464)	(1,452)
Interest payable	4,196	4,155
Interest received	(92)	(101)
<b>Net cash generated from operating activities</b>	<b>10,897</b>	<b>9,830</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(9,785)	(7,479)
Works to existing properties	(1,043)	(1,160)
Proceeds from sale of property, plant and equipment	1,122	1,691
Grants received	2,423	1,218
Interest received	92	101
<b>Net cash flows from investing activities</b>	<b>(7,191)</b>	<b>(5,629)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(4,131)	(4,147)
New loans	8,500	0
Repayments of borrowings	(4,070)	(4,226)
<b>Net cash flows from financing activities</b>	<b>299</b>	<b>(8,373)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>4,005</b>	<b>(4,172)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>11,146</b>	<b>15,318</b>
<b>Cash and cash equivalents at end of year</b>	<b>15,151</b>	<b>11,146</b>

<b>Free cash flow for the year ended 31st March 2016</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
<b>Net cash generated from operating activities</b>	10,897	9,830
Interest paid	(4,131)	(4,147)
Interest received	92	101
<b>Adjustments for reinvestment in existing properties</b>		
Works to existing properties	(1,043)	(1,160)
<b>Free cash generated before loan repayments</b>	<b>5,815</b>	<b>4,624</b>
Loans repaid	(4,070)	(4,226)
<b>Free cash generated after loan repayments</b>	<b>1,745</b>	<b>398</b>

# **Linc-Cymru Housing Association Limited**

## **Notes to the Financial Statements**

### **For the year ended 31st March 2017**

#### **I. Accounting Policies**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

##### **a) Basis of Accounting**

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP), the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination (Wales) 2015. The financial statements have been prepared under the accruals basis except for the statement of cashflows. Linc is a public benefit entity, as defined in FRS 102 and applies the relevant paragraphs prefixed 'PBE' in FRS 102.

##### **b) Basis of Consolidation**

Linc's financial statements consolidate the financial statements of Linc and its subsidiary undertaking Tarbed Limited drawn up to 31st March each year.

##### **c) Property, Plant and Equipment - Housing Properties**

Housing properties are stated at cost less depreciation less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs and borrowing costs directly attributable to the construction of new housing properties during the development. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

When Linc purchases a new property as part of a section 106 agreement between the Local Authority and a developer the amount capitalised to fixed assets is the purchase price paid for the property. The purchase price is normally a discounted price which reflects the position that Linc does not normally receive grant towards the cost of acquiring a property under a section 106 agreement. Depreciation is charged on the purchase price paid for the property.

Depreciation is charged so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis, over their useful economic lives. Freehold land is not depreciated.

##### **Major components**

Major components of housing properties, which have significantly different patterns of consumption of economic benefits, are treated as separate assets and depreciated over their expected useful economic lives at the following annual rates:

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

<b>Housing Properties</b>	<b>Structure</b>	<b>150 years</b>
	<b>Roofs</b>	<b>75 years</b>
	<b>Windows and doors</b>	<b>35 years</b>
	<b>Bathrooms</b>	<b>30 years</b>
	<b>Boilers and heating systems</b>	<b>20 years</b>
	<b>Kitchens</b>	<b>15 years</b>
	<b>Lifts</b>	<b>15 years</b>
<b>Care Properties</b>	<b>Structure</b>	<b>50 years</b>
	<b>Roofs</b>	<b>50 years</b>
	<b>Windows and doors</b>	<b>35 years</b>
	<b>Bathrooms</b>	<b>30 years</b>
	<b>Boilers and heating systems</b>	<b>20 years</b>
	<b>Kitchens</b>	<b>15 &amp; 20 years</b>
	<b>Lifts</b>	<b>15 years</b>

Properties held on long leases are depreciated over their estimated useful economic lives or the lease duration if shorter.

**Improvements**

Where there are improvements to housing properties that are expected to provide incremental future benefits, these are capitalised and added to the carrying amount of the property. Any works to housing properties which do not replace a component or result in an incremental future benefit are charged as expenditure in surplus or deficit in the Statement of Comprehensive Income.

**Leaseholders**

Where the rights and obligations for improving a housing property reside with the leaseholder or tenant, any works to improve such properties incurred by Linc is recharged to the leaseholder and recognised in surplus or deficit in the Statement of Comprehensive Income along with the corresponding income from the leaseholder or tenant.

**d) Shared Ownership Properties**

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first time tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover; and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

# Linc-Cymru Housing Association Limited

## Notes to the Financial Statements

### For the year ended 31st March 2017 (continued)

#### e) Non-Housing Property, Plant and Equipment

Non-housing property, plant and equipment is stated at historic cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all non-housing property, plant and equipment, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold offices	25 years
Office improvements	5 years
Office Furniture and Equipment	3 to 10 years
Computer Equipment	4 to 5 years

#### f) Investment Properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn market rentals or for capital appreciation or both are classed as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment.

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the statement of comprehensive income.

Investment properties were valued as at 31st March 2017. Linc's investment properties have been valued by Savills UK Limited, Chartered Surveyors, professional external valuers. The full valuation of properties was prepared in accordance with the RICS Valuation – Professional Standards (January 2014 Edition) using the reasonable skill, care and diligence to be expected of a properly qualified and competent valuer.

In arriving at current market value:

For Cwrt Pen y Bryn properties in Cardiff a gross initial yield of 7.5% was applied to the current passing rent. This reflects a discount of 27.8% from the break-up Vacant Possession Value and a gross yield of 8.68% when fully let at the valuers opinion of Market Rent.

For the remaining 16 properties the valuer has primarily had regard to capital values based on comparables and then applied a range of discounts of 12-13% to reflect the current tenancies. These values reflect a range of gross yields of 5.38%-6.67% based on their opinion of Market Rent.

#### g) Homebuy Loans Receivable

The loan to the purchaser of a property purchased under the Homebuy initiative or LCHO scheme is treated as a fixed asset investment. Linc retains equity shares in homes purchased under the Homebuy and LCHO schemes. In accordance with FRS 102 these are treated as concessionary loans.

# **Linc-Cymru Housing Association Limited**

## **Notes to the Financial Statements**

### **For the year ended 31st March 2017 (continued)**

Where a property has been acquired by Linc at below market value (e.g. through a section 106 agreement), the difference between cost and market value at the point of purchase is deemed as grant. The investment in Homebuy and LCHO is held on the Statement of Financial Position at cost (the initial value of Linc's equity share).

On sale of the property Linc will receive a proportion of the sale proceeds equal to Linc's (percentage) equity share in the property. Grant received on Homebuy and LCHO schemes is recyclable on sale of these properties.

#### **h) Impairment of Social Housing Properties**

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

#### **i) Social Housing Grant and Housing Finance Grant**

All government grants initially appear as creditors in the Statement of Financial Position at the fair value of the sum receivable. Grants are amortised on a straight line basis over the life of the asset whose purchase they support, unless they are received in respect of the provision of properties under the Homebuy or Low Cost Home Ownership schemes, in which case grants are only taken to the Statement of Comprehensive Income at the point the loan is redeemed.

##### **Social Housing Grant**

Social Housing Grant (SHG) is receivable from the Welsh Government. SHG is received in full when a property is developed or acquired.

##### **Housing Finance Grant**

Housing Finance Grant (HFG) is paid by the Welsh Government towards the costs of housing assets over a period of 30 years to subsidise the capital and interest costs for the provision of affordable housing. The net present value of the HFG receivable over the agreed payment term is recognised as a capital grant and a deferred debtor.

Upon receipt of the grant payments, the debtor decreases by the capital element and the difference between this and the amount of grant received is credited to surplus or deficit in the Statement of Comprehensive Income as a contribution towards the financing cost of that scheme. The discount rate used for the net present value calculations is the same rate that applies to the associated borrowing to fund the housing assets.

# Linc-Cymru Housing Association Limited

## Notes to the Financial Statements

### For the year ended 31st March 2017 (continued)

#### Recycled Grant

The capital grant element of SHG and HFG previously received is deemed to be repayable upon disposal of a related housing asset. This is treated as Recycled Capital Grant in the Recycled Capital Grant Fund and included in the Statement of Financial Position as a creditor.

Where land or buildings are acquired at below market value e.g. as part of a s106 agreement, the carrying value reflects the fair value of the asset received, with the subsidy implicit in the arrangement deemed as grant and added to the grant creditor.

#### j) Adaptations Grants

Adaptation Grants are paid by the Welsh Government towards the cost of adaptation works for disabled individuals. The grants are expensed to revenue in the same year as the adaptation costs are incurred. The expenditure on adaptations is essentially adapting the room/property for individuals with disabilities and is not actually improving or enhancing the property or the property's value.

#### k) Home Ownership Grants

Linc is responsible for monitoring Home Ownership Grants. Under these grants the Welsh Government advanced 30% of the value of our cost of a property to a purchaser introduced by Linc. The advance is secured by a charge on the property in Linc's name with a sub-charge in the name of the Welsh Government. Linc is responsible for ensuring that at the time of sale 30% of the sales proceeds or the grant (whichever is lower) is returned to the Welsh Government.

#### l) Investment in Subsidiary

These financial statements are for Linc and its subsidiary Tarbed Limited. Copies of the financial statements of Tarbed Limited, Linc's 100% owned and only subsidiary are available from Tarbed's Company Secretary.

#### m) Housing and other loans are classified as basic financial instruments

Loans are advanced by Banks and Building Societies under the terms of individual mortgage deeds in respect of each property or housing scheme.





# **Linc-Cymru Housing Association Limited**

## **Notes to the Financial Statements**

### **For the year ended 31st March 2017 (continued)**

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest bearing loans are stated at amortised cost using the effective interest method, less any impairment losses.

Loans received from Government sources with interest below market rate are treated as concessionary loans.

#### **n) Designated Reserve for Future Repairs and Maintenance to Special Needs Properties**

A designated reserve has been established to recognise the cost of future maintenance being Linc's liability to maintain these properties in accordance with the agreement between Linc and the managing agents.

#### **o) Designated Reserve for Replacement of Service Equipment**

A designated reserve has been established to recognise funds received from tenants as part of the service charge to replace equipment.

#### **p) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

#### **q) Turnover**

Turnover represents rent and service charges receivable (net of rent and service charge losses from voids) and fee income from nursing homes. Service charge income is recognised when expenditure is incurred as this is considered to be the point at which the service has been performed and the revenue recognition criteria met.

#### **r) Sales of Housing Properties**

The surplus or deficit on the sales of all types of property is included within the Statement of Comprehensive Income in the year of disposal. When the owners of shared ownership properties exercise the right to increase the equity proportion in their property, the surplus or deficit is calculated on the proportion of the property sold at current market value.

#### **s) Revenue Grants**

Revenue grants are credited to income over the financial years to which the grant relates.

#### **t) Repairs to Existing Housing Properties**

Repairs and maintenance expenditure to existing housing properties is charged to the Statement of Comprehensive Income in the year in which the repairs are undertaken. This includes day to day repairs, cyclical repairs and those planned maintenance works which are not capitalised to the Statement of Financial Position.

Planned maintenance expenditure incurred on the replacement or enhancement of seven specific categories of components is capitalised to the Statement of Financial Position in the year in which the expenditure is incurred.

# **Linc-Cymru Housing Association Limited**

## **Notes to the Financial Statements**

### **For the year ended 31st March 2017 (continued)**

#### **u) Apportionment of Administration Costs**

Direct administration and operating costs have been charged to the relevant sections of the Statement of Comprehensive Income on the basis of actual expenditure. Indirect management, finance and administration costs are further apportioned to Linc's specific activities on the basis of the number of units in management.

#### **v) Pension Costs**

Linc operates a defined contribution pension scheme for staff. The assets of the scheme are held separately from those of Linc in independently administered funds. The retirement benefits to employees of Linc are funded by contributions from Linc and employees. Payments are made to a money purchase scheme operated by AEGON Plc. The costs are expensed as paid.

Linc also provides a pension scheme to comply with the UK Government's auto enrolment pension legislation. Auto enrolment requires all employers to enroll their employees into a qualifying workplace pension scheme if they are not already in one. The Linc auto enrolment scheme is open to all employees who are not eligible to join the AEGON pension scheme. All pension payments under Linc's auto enrolment scheme are paid into NEST, a pension scheme set up and operated by the UK Government.

#### **w) Leased assets**

At inception Linc assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

##### **Finance Leased Assets**

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

##### **Operating Leased Assets**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to surplus or deficit in the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

#### **x) Interest payable**

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are calculated using the effective interest rate, which is the rate that exactly discounts estimated future

# Linc-Cymru Housing Association Limited

## Notes to the Financial Statements

### For the year ended 31st March 2017 (continued)

cash payments or receipts through the expected life of a financial instrument and is determined on the basis of the carrying amount of the financial liability at initial recognition. Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period

#### y) VAT

The majority of Linc's rental and fee income is exempt from VAT. No VAT is charged on tenants' rents nor on nursing home fees. Linc has commercial tenants that rent office accommodation and VAT at the standard rate – currently 20% is levied on the rental income. Due to the exempt nature of the rental income, Linc is only able to recover very small amounts of input VAT.

#### z) Financial Instruments

Financial instruments which meet the criteria of a basic financial instruments as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Basic financial instruments are recognised at amortised historical cost.



**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**2. (a) Particulars of turnover, operating expenditure and operating surplus**

<b>Group</b>	<b>March 2017</b>			<b>March 2016</b>		
	<b>Operating Turnover</b>	<b>Operating Expenditure</b>	<b>Operating Surplus</b>	<b>Operating Turnover</b>	<b>Operating Expenditure</b>	<b>Operating Surplus</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Social housing lettings</b>	<b>24,493</b>	<b>(17,811)</b>	<b>6,682</b>	<b>23,720</b>	<b>(16,773)</b>	<b>6,947</b>
<b>Non-social housing activities</b>						
Registered nursing homes	7,602	(6,603)	999	6,098	(5,980)	118
Lettings	656	(219)	437	661	(182)	479
Other	401	(370)	31	316	(279)	37
Big Lottery Fund Grant	0	0	0	39	(39)	0
<b>Sub total non-social housing activities</b>	<b>8,659</b>	<b>(7,192)</b>	<b>1,467</b>	<b>7,114</b>	<b>(6,480)</b>	<b>634</b>
<b>Total</b>	<b>33,152</b>	<b>(25,003)</b>	<b>8,149</b>	<b>30,834</b>	<b>(23,253)</b>	<b>7,581</b>

<b>Association</b>	<b>March 2017</b>			<b>March 2016</b>		
	<b>Operating Turnover</b>	<b>Operating Expenditure</b>	<b>Operating Surplus</b>	<b>Operating Turnover</b>	<b>Operating Expenditure</b>	<b>Operating Surplus</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Social housing lettings</b>	<b>24,493</b>	<b>(17,816)</b>	<b>6,677</b>	<b>23,720</b>	<b>(16,774)</b>	<b>6,946</b>
<b>Non-social housing activities</b>						
Registered nursing homes	7,602	(6,603)	999	6,098	(5,981)	117
Lettings	656	(219)	437	661	(182)	479
Other	401	(367)	34	316	(279)	37
Big Lottery Fund Grant	0	0	0	39	(39)	0
<b>Sub total non-social housing activities</b>	<b>8,659</b>	<b>(7,189)</b>	<b>1,470</b>	<b>7,114</b>	<b>(6,481)</b>	<b>633</b>
<b>Total</b>	<b>33,152</b>	<b>(25,005)</b>	<b>8,147</b>	<b>30,834</b>	<b>(23,255)</b>	<b>7,579</b>

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**2. (b) Particulars of turnover, operating expenditure and operating surplus from social housing lettings**

<b>Group</b>	<b>March 2017</b>			<b>Total £000</b>	<b>March 2016</b>
	<b>General needs housing £000</b>	<b>Supported housing and for older people £000</b>	<b>Low cost home ownership £000</b>		
<b>Income</b>					
Rent Receivable	14,042	4,119	278	18,439	18,016
Service Charge Income	326	3,486	0	3,812	3,786
Income for support services	9	88	0	97	100
Amortised government grants	677	788	0	1,465	1,452
Other revenue grants	306	374	0	680	366
<b>Turnover from social housing lettings</b>	<b>15,360</b>	<b>8,855</b>	<b>278</b>	<b>24,493</b>	<b>23,720</b>
<b>Expenditure</b>					
Management costs	3,460	1,099	131	4,690	4,553
Service charge costs	290	3,023	0	3,313	3,452
Routine maintenance	4,366	1,005	0	5,371	4,981
Planned maintenance	439	530	0	969	663
Bad debts	0	39	0	39	7
Depreciation of housing properties	1,909	1,378	0	3,287	3,117
Impairment of housing properties	142	0	0	142	0
<b>Operating expenditure on social housing activities</b>	<b>10,606</b>	<b>7,074</b>	<b>131</b>	<b>17,811</b>	<b>16,773</b>
<b>Operating surplus on social housing lettings</b>	<b>4,754</b>	<b>1,781</b>	<b>147</b>	<b>6,682</b>	<b>6,947</b>
<b>Rent loss due to voids (memorandum note)</b>	<b>156</b>	<b>32</b>	<b>0</b>	<b>188</b>	<b>142</b>

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**2. (b) (continued) Particulars of turnover, operating expenditure and operating surplus from social housing lettings**

<b>Association</b>	<b>March 2017</b>				<b>March 2016</b>
	<b>General needs housing £000</b>	<b>Supported housing and housing for older people £000</b>	<b>Low cost home ownership £000</b>	<b>Total £000</b>	<b>Total £000</b>
<b>Income</b>					
Rent Receivable	14,042	4,119	278	18,439	18,016
Service Charge Income	326	3,486	0	3,812	3,786
Income for support services	9	88	0	97	100
Amortised government grants	677	788	0	1,465	1,452
Other revenue grants	306	374	0	680	366
<b>Turnover from social housing lettings</b>	<b>15,360</b>	<b>8,855</b>	<b>278</b>	<b>24,493</b>	<b>23,720</b>
<b>Expenditure</b>					
Management costs	3,460	1,099	131	4,690	4,553
Service charge costs	290	3,023	0	3,313	3,452
Routine maintenance	4,366	1,005	0	5,371	4,981
Planned maintenance	439	530	0	969	663
Bad debts	0	39	0	39	7
Depreciation of housing properties	1,914	1,378	0	3,292	3,118
Impairment of housing properties	142	0	0	142	0
<b>Operating expenditure on social housing activities</b>	<b>10,611</b>	<b>7,074</b>	<b>131</b>	<b>17,816</b>	<b>16,774</b>
<b>Operating surplus on social housing lettings</b>	<b>4,749</b>	<b>1,781</b>	<b>147</b>	<b>6,677</b>	<b>6,946</b>
<b>Rent loss due to voids (memorandum note)</b>	<b>156</b>	<b>32</b>	<b>0</b>	<b>188</b>	<b>142</b>

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**3. Finance income**

	<b>Group</b>		<b>Association</b>	
	<b>March 2017 £000</b>	<b>March 2016 £000</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
Bank interest receivable	91	99	95	104
Other interest receivable	1	2	1	2
Gift aid from Subsidiary	0	0	35	45
	92	101	131	151

**4. Operating surplus**

	<b>Group</b>		<b>Association</b>	
	<b>March 2017 £000</b>	<b>March 2016 £000</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
The operating surplus is stated after charging:				
Depreciation on housing properties	3,603	3,432	3,608	3,434
Impairment of housing properties	142	0	142	0
Depreciation on non-housing assets	501	451	501	451
	4,246	3,883	4,251	3,885
Auditor remuneration:				
In their capacity as auditor	40	21	40	21

**5. Interest and financing costs**

	<b>Group</b>		<b>Association</b>	
	<b>March 2017 £000</b>	<b>March 2016 £000</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
On Housing Loans repayable in instalments	4,187	4,145	4,187	4,145
Bank charges	9	10	9	10
	4,196	4,155	4,196	4,155

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**6. Employee information**

<b>Group and Association</b>	<b>March 2017</b>	<b>March 2016</b>
The average number of employees during the year was	490	442
The average number of full time equivalent employees during the year was	374	342

The average number of employees is calculated from employees paid. There are a number of employees retained on a contractual basis that work for the Association when required.

<b>Group and Association</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
Staff costs (for the above persons):		
Wages and salaries	9,036	8,212
Social security costs	694	600
Pension costs (Note 8)	654	635
	10,384	9,447

**7. Emoluments of officers and senior executives**

<b>Group and Association</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
The emoluments exclude contributions to pension schemes:		
Remuneration of highest paid director (Chief Executive)	116	113
Aggregate remuneration of Senior Executives	279	289
	395	402
Pension contributions paid on their behalf		
Chief Executive's pension contributions	40	40
Senior Executives' pension contributions	81	76
	121	116

Linc consider that the Key management personnel as defined under FRS102 are consistent with the officers and senior executives of the organisation. The Employer's National Insurance paid in the year in relation to the Key management personnel amounted to £47,775.



**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**7. (Cont.) Emoluments of officers and senior executives**

These are the emoluments excluding pension costs paid to officers and senior executives within the following ranges:

<b>Group and Association</b>	<b>March 2017 No. of staff</b>	<b>March 2016 No. of staff</b>
Between £80,001 and £85,000	0	1
Between £85,001 and £90,000	1	0
Between £90,001 and £95,000	1	2
Between £95,001 and £100,000	1	0
Between £110,001 and £115,000	0	1
Between £115,001 and £120,000	1	0

No Board member received any remuneration in either year. Board members are reimbursed for travel expenses incurred attending Linc meetings.

The Chief Executive is a member of the group personal pension defined contribution scheme. The Chief Executive receives an enhanced employer contribution compared to ordinary members. Linc does not make any further contributions to an individual pension arrangement for the Chief Executive.

**8. Pensions**

The Association operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Association in an independently administered fund. The pension charge represents contributions payable by the Association to the fund and amounted to £654,000 (2016: £635,000).

The Association contributes to a money purchase pension for all eligible staff and no further disclosure in respect of that scheme is required under FRS 102.

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**9. Tangible fixed assets - housing properties**

<b>Group</b>	<b>Social Housing Properties £000</b>	<b>Shared Ownership £000</b>	<b>Nursing Homes £000</b>	<b>Non-Social Other £000</b>	<b>Properties Under Construction £000</b>	<b>Total £000</b>
<b>Cost</b>						
At beginning of year	255,882	3,431	13,751	2,792	6,658	282,514
Schemes completed	6,284	0	0	0	(6,284)	0
Additions	15	0	0	0	9,110	9,125
Works to existing properties	1,043	0	0	0	0	1,043
Disposals	(1,608)	(18)	0	0	0	(1,626)
At 31st March 2017	261,616	3,413	13,751	2,792	9,484	291,056
<b>Depreciation &amp; Impairment</b>						
At beginning of year	32,084	284	1,293	343	1,230	35,234
Charge for the year	3,273	14	279	37	0	3,603
Impairment	0	0	0	0	142	142
Disposals	(573)	(1)	0	0	0	(574)
At 31st March 2017	34,784	297	1,572	380	1,372	38,405
<b>Net book value</b>						
At 31st March 2017	226,832	3,116	12,179	2,412	8,112	252,651
At beginning of year	223,798	3,147	12,458	2,449	5,428	247,280

	<b>March 2017 £000</b>	<b>March 2016 £000</b>
Housing properties comprise:		
Freeholds	251,380	246,051
Leaseholds	1,271	1,229
	252,651	247,280

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**9. (cont.) Tangible fixed assets - housing properties**

<b>Association</b>	<b>Social Housing Properties £000</b>	<b>Shared Ownership £000</b>	<b>Nursing Homes £000</b>	<b>Non-Social Other £000</b>	<b>Properties Under Construction £000</b>	<b>Total £000</b>	
<b>Cost</b>							
At beginning of year	256,076	3,431	13,800	2,792	6,665	282,764	
Schemes completed	6,324	0	0	0	(6,324)	0	
Additions	16	0	0	0	9,152	9,168	
Works to existing properties	1,043	0	0	0	0	1,043	
Disposals	(1,608)	(18)	0	0	0	(1,626)	
At 31st March 2017	261,851	3,413	13,800	2,792	9,493	291,349	
<b>Depreciation &amp; Impairment</b>							
At beginning of year	32,086	284	1,295	343	1,230	35,238	
Charge for the year	3,277	14	280	37	0	3,608	
Impairment	0	0	0	0	142	142	
Disposals	(573)	(1)	0	0	0	(574)	
At 31st March 2017	34,790	297	1,575	380	1,372	38,414	
<b>Net book value</b>							
At 31st March 2017	227,061	3,116	12,225	2,412	8,121	252,935	
At beginning of year	223,990	3,147	12,505	2,449	5,435	247,526	
						<b>March 2017 £000</b>	<b>March 2016 £000</b>
Housing properties comprise:							
Freeholds						251,663	246,297
Leaseholds						1,272	1,229
						252,935	247,526

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**9. (cont.) Tangible fixed assets - housing properties**

**Group and Association**

	<b>March</b>	<b>March</b>
	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure on works to existing properties:</b>		
Improvement works capitalised	0	0
Components capitalised	1,043	1,160
Amounts charged to income and expenditure	6,917	6,060
	<b>7,960</b>	<b>7,220</b>
<b>Social housing assistance</b>		
Total accumulated social housing grant received or receivable at 31st March:		
Capital Grant	4,439	1,293
Revenue Grant	679	405
	<b>5,118</b>	<b>1,698</b>

**Finance costs:**

Linc does not capitalise finance costs within the cost of its housing properties.

**Impairment:**

Linc considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2014.

During the year to March 2017 an impairment of £141,667 has been recognised in relation to a land holding. No impairment was recognised during the year to 31st March 2016.

The total value of impairment recognised to date is £1,825,202.

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**10. Fixed assets - other**

<b>Group and Association</b>	<b>Office premises</b>	<b>Furniture and equipment</b>	<b>Computer equipment</b>	<b>Motor Vehicles</b>	<b>March 2017</b>
<b>Cost</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At beginning of year	2,728	2,132	1,367	27	6,254
Additions	49	354	257	0	660
Disposals	0	(91)	(256)	0	(347)
At 31st March 2017	2,777	2,395	1,368	27	6,567
<b>Depreciation</b>					
At beginning of year	1,273	1,366	1,154	20	3,813
Charge for the year	129	244	122	6	501
Disposals	0	(67)	(251)	0	(318)
At 31st March 2017	1,402	1,543	1,025	26	3,996
<b>Net Book Value</b>					
At 31st March 2017	1,375	852	343	1	2,571
At beginning of year	1,455	766	213	7	2,441

Depreciation is provided on the following basis:

Office Premises	4% - 10% per annum on cost
Office Improvements	20% per annum on cost
Computer Equipment	20% - 25% per annum on cost
Furniture and Equipment	10% - 33% per annum on cost
Motor Vehicles	25% per annum on cost

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**11. Investment properties. Non-social housing properties held for letting**

<b>Group and Association</b>	<b>March 2017 £000</b>
At beginning of the year	9,210
Additions	0
Disposals	(2)
Increase in value	647
At 31st March 2017	9,855

**12. Homebuy loans receivable**

<b>Group and Association</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
At beginning of the year	860	1,059
New loans issued	0	0
Interest receivable	0	0
Loans repaid	0	(199)
Loans provided against	0	0
At 31st March 2017	860	860

**13. Investment in subsidiaries**

**Subsidiary undertakings**

<b>Company Name</b>	<b>Country</b>	<b>Class of shares</b>	<b>Percentage Shareholding</b>
Tarbed Limited	UK	Ordinary	100%

	<b>Investments in subsidiary companies</b>
<b>Company</b>	<b>£</b>
Cost or valuation at 1st April 2016 and 31st March 2017	1
Net book value at 31st March 2017	1
Net book value at 31st March 2016	1

**Description**

The principal activity of the company during the year was the provision of design and build services for Linc.

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**14. Operating leases in relation to assets other than land and buildings are set out below:**

Operating lease payments amounting to £2,921 (2016: £2,921) are due within one year. The leases to which these relate expire as follows:

<b>Group and Association</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
Operating leases which expire:		
Within 1 year	0	0
Within 1 to 2 years	0	0
Within 2 to 5 years	3	3

**15. Trade and other debtors**

	<b>Group March 2017 £000</b>	<b>Group March 2016 £000</b>	<b>Association March 2017 £000</b>	<b>Association March 2016 £000</b>
Arrears of rent and service charges	1,006	1,339	1,006	1,339
Less: Provision for bad and doubtful debts	(563)	(583)	(563)	(583)
	443	756	443	756
Other grants and loans receivable	224	83	224	83
Cash in transit	883	316	883	316
Insurance prepayment	153	54	153	54
Sales ledger	840	197	840	197
Amounts owed by group companies	0	0	387	160
Housing Finance Grant	1,955	1,989	1,955	1,989
Social Housing Grant in Transit	2,016	0	2,016	0
Other debtors and prepayments	656	311	564	265
	7,170	3,706	7,465	3,820

Housing Finance Grant is an award of funding by the Welsh Government to assist with the delivery of affordable housing. The funding will be payable over 30 years, the first instalment was received in September 2014.

**16. Cash and cash equivalents**

	<b>Group March 2017 £000</b>	<b>Group March 2016 £000</b>	<b>Association March 2017 £000</b>	<b>Association March 2016 £000</b>
Cash at bank and in hand	15,151	11,146	14,904	11,030
Bank Overdraft	0	0	0	0
	15,151	11,146	14,904	11,030

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**17. Creditors: amounts falling due within one year**

	<b>Group March 2017 £000</b>	<b>Group March 2016 £000</b>	<b>Association March 2017 £000</b>	<b>Association March 2016 £000</b>
Prepayments of rents and service charges	941	675	941	675
Housing loan principal instalments	4,370	3,994	4,370	3,994
Housing loan interest instalments	340	275	340	275
Recycling Capital Grant Fund	0	0	0	0
PAYE/National Insurance	196	169	196	169
Pension	63	56	63	56
Due to Customs and Excise - VAT	29	20	29	18
Income in advance	616	253	616	253
Cyclical maintenance	127	90	127	90
Payments to contractors	213	18	0	18
Planned repairs	22	98	22	98
Reactive maintenance	303	255	303	255
Service charge costs	302	245	302	245
Purchase ledger	227	208	227	208
Amounts owed to group companies	0	0	271	361
Other creditors and accruals	1,100	1,134	1,098	780
	<b>8,849</b>	<b>7,490</b>	<b>8,905</b>	<b>7,495</b>

**18. Creditors: amounts falling due after more than one year**

	<b>March 2017 £000</b>	<b>March 2016 £000</b>
Housing loans	98,294	93,745
Social Housing Grant (note 20)	131,611	129,348
Home Ownership Grants (note 21)	287	287
Recycled capital grant fund (note 22)	3,673	3,094
Disposal proceeds fund (note 23)	407	299
	<b>234,272</b>	<b>226,773</b>

	<b>March 2017 £000</b>	<b>March 2016 £000</b>
Housing loans are secured by fixed charges on housing properties and are repayable in instalments as follows:		
One year or less	4,370	3,994
Between one and two years	17,354	4,475
Between two and five years	14,904	21,915
In five years or more	66,036	67,355
	<b>102,664</b>	<b>97,739</b>

The interest rates are fixed at between 2.0% and 15.0% or vary with the market rate. The loans are repayable in the years 2017 to 2051.



**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**19. Commitments under finance leases**

Neither Linc or Tarbed Limited had any commitments under finance leases at 31st March 2017 or at 31st March 2016.

**20. Deferred income - social housing grants**

**Group and Association**

	<b>Social Housing Properties £000</b>	<b>Shared Properties Under Ownership £000</b>	<b>Shared Properties Under Construction £000</b>	<b>Total £000</b>
<b>Cost</b>				
At beginning of year	145,886	2,155	1,874	149,915
Schemes completed	1,967	0	(1,967)	0
Additions	0	0	4,439	4,439
Disposals	(841)	(12)	0	(853)
At 31st March 2017	147,012	2,143	4,346	153,501
<b>Amortisation</b>				
At beginning of year	20,263	304	0	20,567
Charge for the year	1,450	15	0	1,465
Disposals	(141)	(1)	0	(142)
At 31st March 2017	21,572	318	0	21,890
<b>Net book value</b>				
At 31st March 2017	125,440	1,825	4,346	131,611
At beginning of year	125,623	1,851	1,874	129,348

**The grants are amortised as follows:**

	<b>March 2017 £000</b>	<b>March 2016 £000</b>
Amounts falling due:		
One year or less	1,465	1,444
Between one and two years	1,465	1,444
Between two and five years	4,395	4,330
In five years or more	124,286	122,130
	131,611	129,348

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**21. Deferred income - home buy grants**

<b>Group and Association</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
At beginning of year	287	327
Grants received in the year	0	50
Disposals	0	(90)
At 31st March 2017	287	287

Linc is responsible for monitoring Home Ownership Grants. Under these grants the Welsh Government advanced 30% of the value of our cost of a property to a purchaser introduced by Linc. The advance is secured by a charge on the property in Linc's name with a sub-charge in the name of the Welsh Government.

Linc is responsible for ensuring that at the time of sale 30% of the sales proceeds or the grant (whichever is the lower) is returned to the Welsh Government. As at 31st March 2017 the value of these grants amounted to £287,302 (31st March 2016: £287,302).

**22. Recycled capital grant fund**

<b>Group and Association</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
At beginning of year	3,094	2,065
Grants recycled	579	1,104
Withdrawals	0	(75)
At 31st March 2017	3,673	3,094

Withdrawals from the recycled capital grant fund are used for the purchase and development of new housing schemes for letting.

**23. Disposal proceeds fund**

<b>Group and Association</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
At beginning of year	299	235
Grants recycled	108	64
Withdrawals	0	0
At 31st March 2017	407	299

Withdrawals from the disposals proceeds fund are used for the purchase and development of new housing schemes for letting.

# Linc-Cymru Housing Association Limited

## Notes to the Financial Statements

### For the year ended 31st March 2017 (continued)

#### 24. Financial instruments

Linc has assessed financial instruments utilised in the year which include debtors, creditors, grants and loan instruments. All such financial instruments have been classed as basic with no fair value adjustment applied.

Basic financial instruments are recognised at amortised cost.

#### 25. Share capital

<b>Group and Association</b>	<b>March 2017 £</b>	<b>March 2016 £</b>
Shares of £1 each fully paid		
At beginning of year	24	29
Issued during the period for cash	5	0
Cancelled during the period	(3)	(5)
At 31st March 2017	26	24

The shares provide members with the right to vote at General Meetings, but do not provide any rights to dividends or to distributions on winding-up.

#### 26. Capital funding and commitments

<b>Group and Association</b>	<b>March 2017 £000</b>	<b>March 2016 £000</b>
Expenditure contracted for but not provided in the accounts	21,240	3,280
Expenditure authorised by the Board, but not contracted	32,440	11,820
	53,680	15,100

The above commitments will be financed through available funds, Social Housing Grant and Housing Finance Grant, existing and future borrowing.

**Linc-Cymru Housing Association Limited**  
**Notes to the Financial Statements**  
**For the year ended 31st March 2017 (continued)**

**27. Units in management**

**Group and Association**

	<b>March 2017 Units</b>	<b>Movement Units</b>	<b>March 2016 Units</b>
<b>Social housing</b>			
General Needs	2,860	50	2,810
Extra Care	312	0	312
Sheltered	350	(20)	370
Supported	153	1	152
Intermediate Rent	202	10	192
Shared Ownership	151	(1)	152
Home Buy Option	99	0	99
	<b>4,127</b>	<b>40</b>	<b>4,087</b>
<b>Non-social housing</b>			
Care Home	147	0	147
Market Rent	86	0	86
Retail	9	0	9
<b>Total in management</b>	<b>4,369</b>	<b>40</b>	<b>4,329</b>

**28. Establishment of the Association**

Linc-Cymru Housing Association Limited is a Registered Society under the Co-operative and Community Benefit Societies Act 2014. The Association is also registered with The Welsh Government as a Registered Social Landlord.

**29. Related party transactions**

In accordance with the exemptions offered by the Financial Reporting Standard 102 - Related Party Transactions, the Association has not disclosed within these financial statements any transactions with entities that are wholly owned subsidiaries of Linc.

**Board Members**

Between 1st April 2016 and the 29th September 2016, Mr. Laurence O'Leary, a tenant of Linc served as a Board Member. Mr O'Leary rents his property from the Association on the same terms as other tenants. The Board is not aware of any other transactions with related parties, which need to be disclosed in the financial statements.

	<b>Rent Charged for the year</b>	<b>Rent outstanding at 31st March 2017</b>
Mr L O'Leary	£4,591	£153

# **Linc-Cymru Housing Association Limited**

## **Notes to the Financial Statements**

### **For the year ended 31st March 2017 (continued)**

#### **29. (Cont.) Related party transactions**

##### **Employee loans**

Senior Officers had loans outstanding from the Association on the same terms available to all qualifying employees. The details are as follows:

Robert Smith, Chief Executive, loan outstanding at 31st March 2017 £NIL (2016 £10,230), the loan term was 22 months.

Campbell Bardo, Executive Director of Corporate Services, loan outstanding at 31st March 2017 £2,224 (2016 £6,622), the loan term is 18 months.

Nicola Smith, Executive Director Linc Homes, loan outstanding at 31st March 2017 £12,165 (2016 £NIL), the loan term is 36 months.

Loans are charged an interest rate of bank base rate at the time of loan issue plus 1%.

##### **Transactions with close family members of Key Management Personnel**

In total the amount remunerated to close family members of the key management personnel was £57,528.

A close family member of the key management personnel used the Association's respite care facilities at an extra care scheme for a period of 12 days during the year at the full daily rate of £48, the total amount charged amounted to £576.

A family member of the key management personnel stayed at Penylan House nursing home for three weeks approximately during the year and paid the full market rate. The total charged amounted to £3,471.

A close family member of the key management personnel rented a market rent property in Cardiff from the Association at the full market rent. The total charged for 7 months of the year amounted to £4,725.

#### **30. Contingent liabilities**

There were no contingent liabilities at 31st March 2017, or at the 7th September 2017, the date the financial statements were approved by the Board of Management.

# Linc-Cymru Housing Association Limited

## Operating and Financial Review 7 Year Summary

### For the year ended 31st March 2017

The following page does not form part of the statutory financial statements which are the subject of the independent auditors' report on pages 26-27.

For the year ended 31st March	2017	2016	2015 Restated*	2014	2013	2012	2011 Restated**
<b>Statement of Comprehensive Income (£'000)</b>							
Total turnover	33,152	30,834	28,310	25,113	22,948	21,439	19,572
Income from Lettings	25,149	24,381	23,254	21,020	20,120	18,807	17,789
Operating surplus	8,147	7,579	6,238	5,828	5,985	6,002	4,295
Gain/(deficit) on disposal of Property, Plant and Equipment (fixed assets)	65	157	84	(119)	(169)	(92)	4,679
Maintenance expenditure ***	6,340	5,644	5,623	5,488	4,588	4,556	5,905
Interest and financing costs	4,196	4,155	4,424	4,364	4,152	4,260	3,674
Surplus on Property Revenue Account	3,951	3,424	1,814	1,464	1,833	1,742	621
Surplus for the year	4,794	3,923	2,118	1,532	1,760	1,790	4,081
<b>Statement of Financial Position (£000)</b>							
Total fixed assets	266,221	260,037	256,558	261,249	256,732	251,092	239,628
SHG and other capital grants	(131,611)	(129,348)	(130,458)	(150,021)	(146,554)	(145,695)	(145,670)
Tangible fixed assets net of capital grants and depreciation	134,610	130,689	126,100	111,228	110,178	105,397	93,958
Net current assets / (liabilities)	13,464	7,355	11,387	21,401	8,687	3,765	5,796
Borrowings - Housing Loans	102,664	97,739	101,966	104,135	91,417	82,891	74,915
Reserves							
: designated	2,174	2,002	1,965	1,711	1,406	1,244	986
: revenue	43,239	38,617	34,731	28,816	27,589	25,991	24,459
: total	45,413	40,619	36,696	30,527	28,995	27,235	25,445
<b>Accommodation figures</b>							
Total housing stock owned at year end (number of dwellings):							
Social housing	4,222	4,182	4077	4,063	4,057	4,013	3,881
Nursing Home	147	147	147	102	72	72	72
Total	4,369	4,329	4,224	4,165	4,129	4,085	3,953
<b>Statistics</b>							
Surplus for the year as a percentage of turnover	14.4%	12.7%	7.5%	6.1%	7.7%	8.3%	20.9%
Surplus for the year (excluding gain/(deficit) on disposal of Property, Plant and Equipment and excluding the revaluation surplus on investment properties) as a percentage of turnover	12.31%	11.6%	7.2%	6.5%	8.4%	8.8%	3.2%
Rent losses (voids and bad debts as percentage of rent and service charges receivable)	1.0%	0.7%	0.9%	1.4%	1.3%	1.4%	1.4%

**Linc-Cymru Housing Association Limited**  
**Operating and Financial Review 7 Year Summary**  
**For the year ended 31st March 2017 (continued)**

<b>For the year ended 31st March</b>	<b>2017</b>	<b>2016</b>	<b>2015 Restated*</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011 Restated**</b>
Rent arrears (gross arrears as a percentage of rent, service charges and care home fees receivable)	3.4%	4.8%	4.8%	4.4%	4.0%	4.2%	4.1%
Borrowing costs as a percentage of turnover	12.7%	13.5%	15.6%	17.4%	18.1%	19.9%	18.8%
Revenue maintenance costs as a percentage of turnover***	19.1%	18.3%	19.9%	21.9%	20.0%	21.3%	30.1%
Interest cover (surplus before interest payable divided by interest payable and capitalised interest)	2.1	1.9	1.5	1.3	1.4	1.4	2.1
Liquidity (current assets divided by current liabilities)	2.5	2.0	2.5	4.0	2.4	1.5	1.7
Gearing (total loans as % of capital grants plus reserves)	53.5%	53.5%	56.0%	57.6%	52.1%	47.9%	43.8%
<b>Total reserves per unit (£)</b>	<b>£10,415</b>	<b>£9,402</b>	<b>£8,687</b>	<b>£7,329</b>	<b>£7,022</b>	<b>£6,667</b>	<b>£6,436</b>

\*The financial statements for the year ended 31st March 2016 have been prepared in accordance with Financial Reporting Standard (FRS) 102 and in accordance with the 2014 Statement of Recommended Practice (SORP) Accounting by Registered Landlords. The comparatives for 2015 have been restated to reflect the introduction of these new financial reporting requirements.

\*\*The comparatives for the year-ended 31st March 2011 were restated as Linc has introduced component accounting in accordance with the Statement of Recommended Practice (SORP) Accounting by Registered Landlords.

\*\*\*The comparatives for the years ended 31st March 2011 to 31st March 2016 exclude major component expenditure that has been capitalised to property assets.

