

Linc-Cymru Housing Association Limited Annual Report and Financial Statements for the year ended 31st March 2016



Linc-Cymru Housing Association Limited
Annual Report and Financial Statements
For the year ended 31st March 2016

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Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2016

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 2016.

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. In total we have properties in 10 local authority areas in South East 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 LI09 and with the Financial Conduct Authority, Registration Number 25555R. Linc is registered under Charitable Rules.

At 31st March 2016 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 including the development of additional nursing homes.

Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2016 (continued)

During 2015/16 Linc increased the capacity for development by amending the gearing covenants of its private funders from 60% to 75%. 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 have identified eight strategic corporate objectives for 2016/17. They are:

1. Implementation of the Approved Governance Strategy

As part of our commitment to continuous improvement, in January 2016, the Board adopted a revised Governance Strategy and Action Plan. The Strategy continues to be based on a single legal entity controlling Linc's affairs.

The Strategy sets out desired outcomes and a timeframe which allows for careful and considered implementation. The Board as a whole will monitor progress and has set up a Nomination Committee to lead on the recruitment and induction of new Board Members.

2. Performance Management

It is important that Housing Associations have effective performance management and KPI frameworks. An efficient approach to producing performance management information is intrinsic to the measurement of whether or not a Housing Association is achieving its business objectives. We have set up a KPI Task and Finish Group who will review options and make recommendations to the Corporate Executive Team (CET) and onward to the Board.

3. Communication

Our focus over the last 2 years has been on enhancing our communication with Tenants and Staff. Now, following the announcement of the Welsh Government's manifesto commitments on affordable housing and health and social care, we need to raise our external profile. We shall adjust our Communication Strategy but not at the expense of staff and tenant communication.

4. Digital Transformation

We have reached the conclusion that our long standing housing management system (which is core to our business needs) is reaching the end of its useful life. We have established a Digital Transformation Steering Group that comprises of members of the CET and Heads of Service. This group will drive the changes required to meet the needs of our customers and staff in the future.

The time required to make substantial digital transformation should not be underestimated. As such we decided that the duration of this project should be a minimum of 18 months and that this timeframe should allow for substantial improvements to be made. The Board will receive quarterly progress reports during 2016/17.

Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2016 (continued)

5. Review of Linc's Rent policy

The UK Government has decided that from 1st April 2018:

- The amount of Housing Benefit (HB) a social housing tenant can claim is to be capped to 100% of the relevant Local Housing Allowance (LHA) rent. Tenants who are affected by this are those where a new tenancy is taken out or an existing tenancy is renewed after April 2016. (Supported housing and extra care rents are not yet explicitly excluded in the LHA cap).
- LHA rents are frozen for a 4-year period starting 1st April 2016.
- Under 35s with no children can only receive HB up to the LHA shared room rate.

These are significant changes for our business and a corporate priority for us therefore in 2016 will be to consider options for a Linc Rent Policy to be applied from 1st April 2017. The policy needs to be consistent, fair, ensure Linc's financial viability and complies with the WVG Rent Policy plus any subsequent related policy announcements by the Department of Work and Pensions, the Welsh Government and/or the UK Government. We shall need to have made decisions by 31st December 2016. We shall of course consult widely with tenants.



6. Asset Management Strategy

Customers see Housing Associations as providers of high quality homes for rent. Funders and their advisers predominantly see Housing Associations as property investment and management companies. Our intention is to strengthen our Asset Management Strategy during 2016. There are two specific areas in this objective:

Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2016 (continued)

a) Asset and Liability Register

It is a regulatory requirement in England for Housing Associations to produce and keep an up-to-date register of assets and liabilities. We expect the Regulator of Housing Associations in Wales to introduce this requirement too.

We have already started to make progress on this matter since we consider it helps to underpin good corporate governance. We have the relevant information but recognise that it is in different places, on different systems and in different formats. We do not underestimate the work involved in compiling and maintaining such a register and to that end, we have appointed a Legal Officer who will assist with this Corporate Priority.

b) Property Sustainability Strategy

The Board adopted the Linc Long Term Property Sustainability Strategy (the Strategy) in 2014. The Strategy focused on our areas of lower demand and identified homes where future investment would stabilise or increase demand as well as areas where it would be in Linc's long term interest to reduce exposure. Our objective in 2016 will be to undertake a comprehensive review of our Property Sustainability Strategy to help inform investment decisions for the future, particularly in light of recently published Local Development Plans from Local Authorities.

7. Financial Appraisal of New Schemes

Our present approach to development appraisal is sound and this has been confirmed by our auditors. However, a higher proportion of new schemes undertaken by Housing Associations in Wales are based on rents set at a proportion of LHA Rents. The proportion varies between 80% and 100% of LHA level. The levels of capital subsidy range between 0% and 25%. The UK Government's decision to cap social rents to a maximum of 100% of LHA levels for a four year period highlights how political decisions can have a major adverse effect on the financial standing of the Housing Association sector. With important changes in the key assumptions that underpin financial appraisals, we consider that 2016 is a good time to review our approach.

8. Reviewing our Purpose and Values

Our Core Values and Purpose are at the heart of everything we do. They help us to understand and embrace what Linc is about, our positive approach and the choices we make. Following Board consideration of the Purpose and Values, our intention will be to consult widely with Staff, the Linc Tenant Panel and Stakeholders. We expect this consultation to be completed by the end of the summer and then we shall revert to the Board with our findings.

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 Corporate Executive Team 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 Corporate Executive Team to be the strategic risks facing the organisation. The Corporate Executive Team reports to the Board quarterly on the key Corporate Risks and the Corporate Risk Register.

Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2016 (continued)

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 new 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 & 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.

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 due to the shortage of bed spaces.

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.

Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2016 (continued)

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.

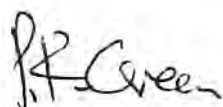
Future Prospects

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. We are also looking to acquire additional nursing homes that complement our current homes. We have stringent selection criteria and are open to acquiring both new build and existing homes. Location and quality are key drivers for any new acquisitions.

We operate seven existing extracare schemes in Cardiff, Newport and Ebbw Vale. During 2016/17 we will be developing two new extracare schemes in Bridgend County Borough.

With our existing operations, financial stability and resources we consider that the future prospects for Linc in meeting the growing housing and care needs is indeed positive.

Approved by the Board and signed on its behalf by:



Peter Green
Chair



Peter Williams
Board Member

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2016

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

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 of several Boards in South Wales, and joined Linc's Board in June 2016.



Helen Bennett

Helen retired from the NHS after 40 years. She now works for a Mental Health charity and is also a Magistrate. Helen joined Linc's Board in September 2008 and is a Member of the Audit Committee and Nominations Committee.



David Clarke

Director of J R Industries Ltd (retired), David joined Linc's Board in January 2001. He is a Member of the Audit Committee and is also Chair of the Directors of Tarbed Ltd, a subsidiary of Linc.



Adrian Crompton

Adrian is the Director of Assembly Business at the National Assembly. He also acts as a consultant to Global Partners Governance. Adrian joined Linc's Board in September 2011.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2016 (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 and Executive Remuneration Committee.



Rhian Edwards

Rhian has 25 years of experience in commercial management, customer management, change management, and delivery of large scale programmes. Rhian joined the Linc Board in June 2016.



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.



Richard Norton

Richard has been in senior financial roles in manufacturing for 25 years. He joined Linc's Board in May 2014 and is currently a Member of the Audit Committee and Nominations Committee.



Laurence O'Leary

Tenant of Linc, Laurence is a Member of The Missionaries of Charity of Mother Teresa of Calcutta and works with the homeless and deprived people in the community. Laurence joined Linc's Board in April 2007 and is a Member of the Audit Committee.



Jonathan Pearce

Jonathan is a Financial Director for Cuddy Group, a multi-disciplined contractor based in South Wales. He has over 20 years financial management experience. Jonathan joined Linc's Board in June 2016.



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.



Peter Williams

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



Diana Whitlock

Diana is a former tenant of Linc for 15 years. She is a full time Carer and joined Linc's Board in September 2009.

Former Board Member

During the year the following Board Members retired from the Board.

Helen Birtwhistle: April 2015.

Sam Hooi: December 2015.

Helen Frances-Trowe: January 2016.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2016 (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 2016 (continued)

Board and Corporate Governance

The activities of Linc are overseen by the Board which meets on a monthly basis. There are three 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.

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.

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.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2016 (continued)

- 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.

The Board has reviewed the effectiveness of Linc's internal financial control system for the period from 1st April 2015 to 8th September 2016, 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.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2016 (continued)

- 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 and by the Corporate Executive Team 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 8th September 2016.
- 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. A number of long serving Board Members will step down at the AGM in September 2016 as a result of Linc adopting this code.
- 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 three new Board Members.
- 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 will need to adopt the new Rules at the Annual General Meeting to be held on Thursday 29th September 2016.

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 2016 (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 engage with us, providing a much valued contribution to the work we do, especially in improving services, by giving us a tenant perspective.

The Tenant Service Testers (TSTs) have carried out a number of tests on our Customer Service Standards, the most recent being a test of how Linc responds to complaints. The recommendations and feedback are important to enable us to maintain efficient services which provide value for money.

The Tenant Panel has grown, not just in numbers and diversity but also in experience and the added value that their involvement brings to the business.

Tenants have been involved with numerous events and activities throughout the year, all designed to improve the lives of our tenants and the communities in which they live. These events and activities are varied and include the successful Active Aspirations Project in Willowbrook extracare scheme, the continued development of the Food Co-operative in St Mellons, events such as the Wyncliffe Gardens Community Day focusing on the correct disposal of household waste and how recycling can help everyone and the support for Brackla Live Events Committee who provide activities for children and young people.

We were delighted to see our tenants win four awards at the TPAS Tenant Participation Awards ceremony for their work in communities and with us which have been undertaken during the year.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2016 (continued)

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. During August 2016 we rolled out a new communication application 'Yammer' which is transforming communication with all of our staff irrespective of where they are working.

The Staff Forum has an important role. Membership of the Forum comprises elected employee representatives and the Chair and Deputy Chair of the Forum meet with senior management on a regular basis. Staff have determined that the purpose of the Forum is to:

- Provide a sounding board for everyone at Linc where ideas, suggestions and questions will be discussed openly and fed back through an effective mechanism.
- Promote and support a sense of belonging, enabling everyone to have their own positive Linc experience.

Regulatory Opinion and Financial Viability

The last financial viability judgement was issued by the Welsh Government on 30th June 2015. The three categories of judgments are: Pass, Pass with closer regulatory monitoring and Fail. Linc-Cymru Housing Association Limited received a "Pass" judgment at that time, the same judgement that was received in previous years.

The Association is awaiting the 2016 Regulatory Assessment (including the 2016 Financial Viability Judgement) and we understand that this will be issued by the end of the 2016 calendar year.

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



R J Smith
Chief Executive

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2016

Financial Review

The change from UK Generally Accepted Accounting Practice (UK GAAP) to the new Financial Reporting Standards (FRS 102) has changed the content and appearance of the financial statements as well as changes in terminology and the detailed disclosures accompanying the key financial statements. During the year we reported regularly to the Audit Committee and the Board on the significant changes that FRS 102 would bring to the financial statements.

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.

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.

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

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2016 (continued)

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

	2016	2015
	£000	£000
Turnover	30,834	28,310
Operating expenditure	(23,253)	(22,071)
Operating surplus	7,581	6,239
Gain on disposal of property, plant and equipment	157	84
Finance Income	101	138
Interest and financing costs	(4,155)	(4,424)
Surplus on revaluation of investment properties	191	0
Total Comprehensive income for the year	3,875	2,037

Linc made a surplus of £3.875 million for the year ended 31st March 2016 which was better than the 2015/16 approved budget. The key points to highlight are:

Turnover

Turnover for the year ended 31st March 2016 rose by £2.52 million (8.9%) from £28.3 million to £30.8 million. This planned increase derived from two main sources.

- Rents from Social Housing lettings increased by £1.1 million (4.9%) reflecting the rent increase from 1st April 2015 of 2.7% and additional units coming into management. We increased our rents by the maximum amount permitted under the rent policy of the Welsh Government. Social rents were increased by the same amount.
- Fee income from the two registered nursing homes increased by £1.4 million (29.7%) 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 2016/17 financial year.

Operating Expenditure

Operating costs increased by £1.2 million (5.36%) which was significantly less than the increase in turnover leading to an increased operating surplus of £1.3 million (21.5%). Specifically:-

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2016 (continued)

- Asset management costs came in on budget.
- Savings were achieved on management and running expenditure through cost control.
- Savings in depreciation were made following the introduction of FRS 102 and the treatment of grant previously apportioned to the land element of properties.

Interest and Financing Costs

Interest payable at £4.2 million was lower than in the preceding year by £0.25 million as some fixed interest rate facilities matured and reverted to lower variable interest rates. The Bank Base Rate remained at 0.5% throughout the whole of the financial years ended 31st March 2016 and 2015.

Total loans at 31st March 2016 amounted to £98 million a decrease of £4 million during the year as a result of facilities being repaid in accordance with the terms of the loan. A high proportion (57.0%) of the loan portfolio continues to be held in fixed interest rate facilities. The average cost of borrowing for the year ended 31st March 2016 was 4.2% compared to 4.3% for the year ended 31st March 2015.

Disposal of Property Plant and Equipment

A net surplus of £157,000 was recorded on the disposal of property plant and equipment. During the year 42 property transactions took place and included 4 shared ownership staircasing transactions, 6 home buy option transaction, 1 right to acquire and 31 voluntary sales. The 31 voluntary sales were made in accordance with the Board approved Property Sustainability Strategy.

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 2016 (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. In 2015 both of our nursing homes achieved Eden Alternative 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 centred 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 housing options we provide in Linc Care are also at high demand with negligible voids. We have invested in the things that matter 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 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 to vulnerable adults. Financial pressures on public funding and the impact of changes to legislation along with new rent policies will need to be addressed. 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

	2016	2015
	£m	£m
Fixed Assets	259.8	256.4
Current Assets	14.8	18.8
Total Assets	274.6	275.2
Housing Loans	97.7	102.0
Government Grant	133.0	133.1
All other Liabilities	3.6	3.6
Total Liabilities	234.3	238.7
Net assets as represented by reserves	40.3	36.5

Reserves Statement

Total reserves at 31st March 2016 were £40.3 million an increase of £3.8 million (10.4%) on 2015. £38.3 million of the reserves were income & expenditure reserves with the remaining £2.0 million being designated

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2016 (continued)

reserves 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 2016 was satisfactory. Net current assets amounted to £7.4 million compared to net current assets of £11.4 million at 31st March 2015, a reduction of £4 million. This planned reduction in working capital reflected the use of cash balances, which were previously drawn in advance of requirements, to fund the completion of existing schemes and the development of new projects.

Cash and cash equivalents at £11.1 million remained higher than would normally be the case and reflects the decision to draw down private finance in advance of requirements. 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 £7.3 million was incurred in developing new schemes. At the end of the year capital commitments relating to ongoing development amounted to £15.1 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 years
Lifts	15 years

Land is not depreciated.

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2016 (continued)

Funding

Housing properties which have an historic cost of £283 million at 31st March 2016 are financed as follows:

Social Housing Grant (£150m)	53%
Private finance (£98m)	35%
Reserves and working capital (£35m)	12%

Linc has eight funders who provide private finance. The funding provided by each at 31st March 2016 was:

Funder	Facility Amount
Co-operative Bank Plc	£8.4 million
Dexia Credit Local	£39.4 million
Orchardbrook Plc	£1.8 million
HBOS Plc	£3.2 million
M&G Investments Ltd.	£6.3 million
Nationwide Building Society	£24.1 million
Principality Building Society	£6.1 million
RBS Plc	£8.9 million

Undrawn Facilities

A loan facility for £9.6 million is in place with the Principality Building Society. £6.1 million of this facility had been drawn by 31st March 2016. The remaining £3.5 million is due to be drawn by December 2016.

A loan facility for £25 million is in place with the Royal Bank of Scotland Plc. £10 million of this facility had been drawn by 31st March 2016 and a further £5 million was drawn post year end. The remaining £10 million is due to be drawn during 2016/17. £1.1 million of the £10 million drawn had been repaid by 31st March 2016 giving a net balance of £8.9 million on this facility at the year end.

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 2016. During 2015/16 we negotiated an increase in the gearing covenant with four of our funders from 60% to 75%. Of the remaining funders one gearing covenant was already at 75% while the other funders have no gearing covenant contained in the loan documents.

Property Stock

The number of homes in management at 31st March 2016 was as follows:

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2016 (continued)

General Needs	2,810
Extra Care	312
Sheltered and Supported Housing	522
Shared Ownership	152
Home Buy Option	99
Intermediate / Market Rent	278
Nursing Care	147
Total Units	4,320

Employees

The average number of employees during the year was 442 (2015, 391 employees) with 342 full time equivalents (2015, 307 full time equivalents). During the year ended 31st March 2016 employee numbers continued to increase in line with budget. The increase in employees during the year was the result of moving to full occupancy at Penylan House, our nursing home in Cardiff during 2015/16.

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 treasury management, sector risks and how Linc is improving our tenant services.

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.

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 58 and 59 of the financial statements.

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2016 (continued)

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 2016 of £45,398 and £45,000 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 2015/16 financial year 31 properties included in the strategy were sold.

Development

During the year 138 new properties came into management at Coity and Porthcawl in Bridgend, at Lisvane and Newport Road in Cardiff and at Ebbw Vale in Blaenau Gwent. 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

In February 2016 the Board approved a development programme for the next five years. The development programme includes 11 schemes across South Wales amounting to 522 properties. 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.



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 2016 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 Governments 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.

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 2016 and of the group and parent's income and expenditure for the year 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

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
CARDIFF

8 September 2016

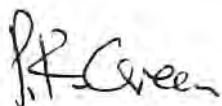
Linc-Cymru Housing Association Limited
Consolidated Statement of Comprehensive Income
For the year ended 31st March 2016

	Notes	March 2016 £000	March 2015 £000
Turnover	2	30,834	28,310
Operating expenditure	2	(23,253)	(22,071)
Operating surplus	2	7,581	6,239
Gain on disposal of property, plant and equipment (fixed assets)		157	84
Finance Income	3	101	138
Interest and financing costs	5	(4,155)	(4,424)
Surplus on revaluation of investment properties		191	0
Surplus for the year		3,875	2,037
Total Comprehensive income for the year		3,875	2,037

Continuing Operations

The results for the year ending March 2016 and the year ended 31st March 2015 relate wholly to continuing activities.

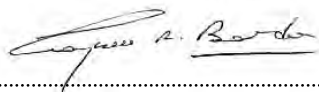
The financial statements were approved by the Board of management and authorised on 8th September 2016 and signed on their behalf by:



..... Peter Green (Chair)



..... Peter Williams (Board Member)



..... Campbell Bardo (Secretary)

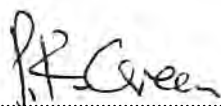
Linc-Cymru Housing Association Limited
Association Statement of Comprehensive Income
For the year ended 31st March 2016

	Notes	March 2016 £000	March 2015 £000
Turnover	2	30,834	28,310
Operating expenditure	2	(23,255)	(22,072)
Operating surplus	2	7,579	6,238
Gain on disposal of property, plant and equipment (fixed assets)		157	84
Finance Income	3	151	220
Interest and financing costs	5	(4,155)	(4,424)
Surplus on revaluation of investment properties		191	0
Surplus for the year		3,923	2,118
Total Comprehensive income for the year		3,923	2,118

Continuing Operations

The results for the year ending March 2016 and the year ended 31st March 2015 relate wholly to continuing activities.

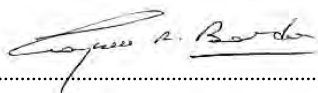
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..... Peter Williams (Board Member)

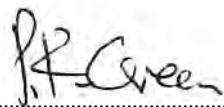


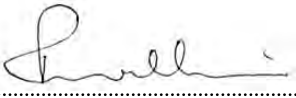
..... Campbell Bardo (Secretary)

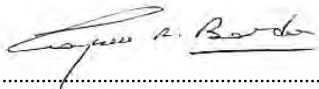
Linc-Cymru Housing Association Limited
Consolidated Statement of Financial Position
For the year ended 31st March 2016

	Notes	March 2016 £000	March 2015 £000
Fixed Assets			
Tangible Fixed Assets			
Housing properties	9	247,280	243,550
Other fixed assets	10	2,441	2,733
Investment Properties	11	9,210	9,019
Homebuy loans receivable	12	860	1,059
Investment in subsidiaries	13	0	0
Total Fixed Assets		259,791	256,361
Current Assets			
Trade and other debtors	15	3,706	3,551
Cash and cash equivalents	16	11,146	15,318
		14,852	18,869
Creditors: amounts falling due within one year	17	(7,490)	(7,476)
Net current assets		7,362	11,393
Total Assets less Current Liabilities		267,153	267,754
Creditors: amounts falling due after more than one year	18	(226,773)	(231,249)
Total Net Assets		40,380	36,505
Capital and Reserves			
Designated Reserve		2,002	1,965
Income & Expenditure Reserve		38,378	34,540
Total Reserves		40,380	36,505

The financial statements were approved by the Board of management and authorised on 8th September 2016 and signed on their behalf by:


 Peter Green (Chair)

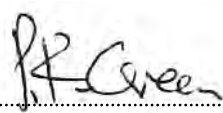

 Peter Williams (Board Member)

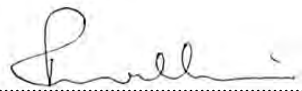

 Campbell Bardo (Secretary)

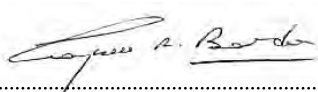
Linc-Cymru Housing Association Limited
Association Statement of Financial Position
For the year ended 31st March 2016

	Notes	March 2016 £000	March 2015 £000
Fixed Assets			
Tangible Fixed Assets			
Housing properties	9	247,526	243,747
Other fixed assets	10	2,441	2,733
Investment Properties	11	9,210	9,019
Homebuy loans receivable	12	860	1,059
Investment in subsidiaries	13	0	0
Total Fixed Assets		260,037	256,558
Current Assets			
Trade and other debtors	15	3,820	3,910
Cash and cash equivalents	16	11,030	15,247
		14,850	19,157
Creditors: amounts falling due within one year	17	(7,495)	(7,770)
Net current assets		7,355	11,387
Total Assets less Current Liabilities		267,392	267,945
Creditors: amounts falling due after more than one year	18	(226,773)	(231,249)
Total Net Assets		40,619	36,696
Capital and Reserves			
Designated Reserve		2,002	1,965
Income & Expenditure Reserve		38,617	34,731
Total Reserves		40,619	36,696

The financial statements were approved by the Board of management and authorised on 8th September 2016 and signed on their behalf by:

.....  Peter Green (Chair)

.....  Peter Williams (Board Member)

.....  Campbell Bardo (Secretary)

Linc-Cymru Housing Association Limited
Consolidated Statement of Changes in Reserves
For the year ended 31st March 2016

	Special Needs £000	Service Equipment £000	Total Designated £000	Revenue £000
Balance at 1st April 2014	292	1,419	1,711	32,757
Surplus for the year	0	0	0	2,037
Transfer to reserves	(23)	(59)	(82)	82
Transfer from reserves	42	294	336	(336)
Balance at 31st March 2015	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)
Balance at 31st March 2016	331	1,671	2,002	38,378

Linc-Cymru Housing Association Limited
Association Statement of Changes in Reserves
For the year ended 31st March 2016

	Special Needs £000	Service Equipment £000	Total Designated £000	Revenue £000
Balance at 1st April 2014	292	1,419	1,711	32,867
Surplus for the year	0	0	0	2,118
Transfer to reserves	(23)	(59)	(82)	82
Transfer from reserves	42	294	336	(336)
Balance at 31st March 2015	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)
Balance at 31st March 2016	331	1,671	2,002	38,617

Linc-Cymru Housing Association Limited
Consolidated Statement of Cash Flows
For the year ended 31st March 2016

	March 2016 £000	March 2015 £000
Surplus for the year	3,875	2,037
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	3,883	3,839
Decrease in debtors	44	274
Increase / (decrease) in creditors	(226)	203
(Increase) in fair value of investment property	(191)	0
Adjustments for investing or financing activities:		
Proceeds from the sale of property, plant and equipment	(157)	(84)
Government grants utilised in the year	(1,452)	(1,459)
Interest payable	4,155	4,424
Interest received	(101)	(138)
Net cash generated from operating activities	9,830	9,096
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,479)	(12,085)
Works to existing properties	(1,160)	(1,154)
Purchase of investment property	0	(9)
Proceeds from sale of property, plant and equipment	1,691	1,540
Grants received	1,218	438
Interest received	101	142
Net cash flows from investing activities	(5,629)	(11,128)
Cash flows from financing activities		
Interest paid	(4,147)	(4,429)
New loans	0	1,750
Repayments of borrowings	(4,226)	(3,919)
Withdrawal from deposits	0	5,250
Net cash flows from financing activities	(8,373)	(1,348)
Net (decrease) in cash and cash equivalents	(4,172)	(3,380)
Cash and cash equivalents at beginning of year	15,318	18,698
Cash and cash equivalents at end of year	11,146	15,318

Free cash flow for the year ended 31st March 2016	March 2016 £000	March 2015 £000
Net cash generated from operating activities	9,830	9,096
Interest paid	(4,147)	(4,429)
Interest received	101	142
Adjustments for reinvestment in existing properties		
Works to existing properties	(1,160)	(1,154)
Free cash generated before loan repayments	4,624	3,655
Loans repaid	(4,226)	(3,919)
Free cash generated after loan repayments	398	(264)

Linc-Cymru Housing Association Limited

Notes to the Financial Statements

For the year ended 31st March 2016

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) Statement of Compliance

This is the first year Linc has prepared its financial statements in accordance with FRS 102, accordingly the financial information as at 1 April 2014 (being the date of transition) and for the year ended 31 March 2015 have been restated for material adjustments on adoption of FRS 102 in the current year. For more information, see note 31.

c) 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.

d) 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 2016 (continued)

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 years
	Lifts	15 years

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.

e) 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.

f) 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:

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

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

g) 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.

h) 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.

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.

i) 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.

Linc-Cymru Housing Association Limited

Notes to the Financial Statements

For the year ended 31st March 2016 (continued)

j) 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.

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.

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 2016 (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.

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 2016 (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 2016 (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.



Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

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

Group	March 2016			(Restated) March 2015		
	Operating Turnover	Operating Expenditure	Operating Surplus	Operating Turnover	Operating Expenditure	Operating Surplus
	£000	£000	£000	£000	£000	£000
Social housing lettings	23,720	(16,773)	6,947	22,607	(16,349)	6,258
Non-social housing activities						
Registered nursing homes	6,098	(5,980)	118	4,701	(5,153)	(452)
Lettings	661	(182)	479	647	(188)	459
Other	316	(279)	37	303	(329)	(26)
Big Lottery Fund Grant	39	(39)	0	52	(52)	0
Sub total non-social housing activities	7,114	(6,480)	634	5,703	(5,722)	(19)
Total	30,834	(23,253)	7,581	28,310	(22,071)	6,239

Association	March 2016			(Restated) March 2015		
	Operating Turnover	Operating Expenditure	Operating Surplus	Operating Turnover	Operating Expenditure	Operating Surplus
	£000	£000	£000	£000	£000	£000
Social housing lettings	23,720	(16,774)	6,946	22,607	(16,350)	6,257
Non-social housing activities						
Registered nursing homes	6,098	(5,981)	117	4,701	(5,153)	(452)
Lettings	661	(182)	479	647	(188)	459
Other	316	(279)	37	303	(329)	(26)
Big Lottery Fund Grant	39	(39)	0	52	(52)	0
Sub total non-social housing activities	7,114	(6,481)	633	5,703	(5,722)	(19)
Total	30,834	(23,255)	7,579	28,310	(22,072)	6,238

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

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

Group	March 2016				(Restated) March 2015
	General needs housing £000	Supported housing and housing for older people £000	Low cost home ownership £000	Total £000	Total £000
Income					
Rent Receivable	13,694	4,060	262	18,016	16,946
Service Charge Income	296	3,490	0	3,786	3,712
Income for support services	20	80	0	100	172
Amortised government grants	664	788	0	1,452	1,459
Other revenue grants	200	166	0	366	318
Turnover from social housing lettings	14,874	8,584	262	23,720	22,607
Expenditure					
Management costs	3,344	1,081	128	4,553	4,368
Service charge costs	280	3,172	0	3,452	3,286
Routine maintenance	3,897	1,084	0	4,981	4,957
Planned maintenance	296	367	0	663	666
Bad debts	0	7	0	7	13
Depreciation of housing properties	1,731	1,386	0	3,117	3,059
Impairment of housing properties	0	0	0	0	0
Operating expenditure on social housing activities	9,548	7,097	128	16,773	16,349
Operating surplus on social housing lettings	5,326	1,487	134	6,947	6,258
Rent loss due to voids (memorandum note)	105	37	0	142	187

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

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

<u>Association</u>	March 2016				(Restated) March 2015
	General needs housing £000	Supported housing and housing for older people £000	Low cost home ownership £000	Total £000	Total £000
Income					
Rent Receivable	13,694	4,060	262	18,016	16,946
Service Charge Income	296	3,490	0	3,786	3,712
Income for support services	20	80	0	100	172
Amortised government grants	664	788	0	1,452	1,459
Other revenue grants	200	166	0	366	318
Turnover from social housing lettings	14,874	8,584	262	23,720	22,607
Expenditure					
Management costs	3,344	1,081	128	4,553	4,368
Service charge costs	280	3,172	0	3,452	3,286
Routine maintenance	3,897	1,084	0	4,981	4,957
Planned maintenance	296	367	0	663	666
Bad debts	0	7	0	7	13
Depreciation of housing properties	1,732	1,386	0	3,118	3,060
Impairment of housing properties	0	0	0	0	0
Operating expenditure on social housing activities	9,549	7,097	128	16,774	16,350
Operating surplus on social housing lettings	5,325	1,487	134	6,946	6,257
Rent loss due to voids (memorandum note)	105	37	0	142	187

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

3. Finance income

	Group March 2016 £000	Group March 2015 £000	Association March 2016 £000	Association March 2015 £000
Bank interest receivable	99	136	104	143
Other interest receivable	2	2	2	2
Gift aid from Subsidiary	0	0	45	75
	101	138	151	220

	Group March 2016 £000	Group March 2015 £000	Association March 2016 £000	Association March 2015 £000
--	--	--	--	--

4. Operating surplus

The operating surplus is stated after charging:

Depreciation on housing properties	3,432	3,365	3,434	3,366
Depreciation on non-housing assets	451	474	451	475
Loss on disposal of non-housing assets	75	194	75	194
	3,958	4,033	3,960	4,035
Auditor remuneration:				
In their capacity as auditor	21	20	21	20

	Group March 2016 £000	Group March 2015 £000	Association March 2016 £000	Association March 2015 £000
--	--	--	--	--

5. Interest and financing costs

On Housing Loans repayable in instalments	4,145	4,414	4,145	4,414
Bank charges	10	10	10	10
	4,155	4,424	4,155	4,424

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

6. Employee information

Group and Association

	March 2016	March 2015
The average number of employees during the year was	442	391
The average number of full time equivalent employees during the year was	342	307

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.

Group and Association

	March 2016 £000	March 2015 £000
Staff costs (for the above persons):		
Wages and salaries	8,212	7,109
Social security costs	600	593
Pension costs (Note 8)	635	650
	9,447	8,352

7. Emoluments of officers and senior executives

Group and Association

	March 2016 £000	March 2015 £000
The emoluments exclude contributions to pension schemes:		
Remuneration of highest paid director (Chief Executive)	113	110
Aggregate remuneration of Senior Executives	289	271
	402	381
Pension contributions paid on their behalf		
Chief Executive's pension contributions	40	40
Senior Executives' pension contributions	76	72
	116	112

During the year a payment of £49,500 was paid as compensation for loss of office to the Executive Director Linc Homes.

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (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:

Group and Association	March 2016 No. of staff	March 2015 No. of staff
Between £80,001 and £85,000	1	1
Between £90,001 and £95,000	2	1
Between £95,001 and £100,000	0	1
Between £110,001 and £115,000	1	1
	4	4

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

Linc operates a defined contribution pension scheme. The assets of the scheme are held separately from those of Linc in an independently administered fund. The pension charge represents contributions payable by Linc to the fund and amounted to £635,000 (2015: £650,000).

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

In January 2014, on our staging date we commenced a new pension scheme to comply with the UK Government's auto enrolment pension legislation. Auto enrolment requires all employers to enrol 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.

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

9. Tangible fixed assets - housing properties

Group	Social Housing Properties £000	Shared Ownership £000	Nursing Homes £000	Non-Social Other £000	Properties Under Construction £000	Total £000
Cost						
At beginning of year	240,034	3,487	13,665	2,792	16,226	276,204
Schemes completed	16,706	0	0	0	(16,706)	0
Additions	77	0	86	0	7,149	7,312
Works to existing properties	1,160	0	0	0	0	1,160
Disposals	(2,095)	(56)	0	0	(11)	(2,162)
At 31st March 2016	255,882	3,431	13,751	2,792	6,658	282,514
Depreciation & Impairment						
At beginning of year	29,829	274	1,015	306	1,230	32,654
Charge for the year	3,107	10	278	37	0	3,432
Impairment	0	0	0	0	0	0
Disposals	(852)	0	0	0	0	(852)
At 31st March 2016	32,084	284	1,293	343	1,230	35,234
Net book value						
At 31st March 2016	223,798	3,147	12,458	2,449	5,428	247,280
At beginning of year	210,205	3,213	12,650	2,486	14,996	243,550
					March 2016 £000	March 2015 £000
Housing properties comprise:						
Freeholds					246,051	242,457
Leaseholds					1,229	1,093
					247,280	243,550

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

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

Association	Social Housing Properties £000	Shared Ownership £000	Nursing Homes £000	Non-Social Other £000	Properties Under Construction £000	Total £000
Cost						
At beginning of year	240,088	3,487	13,714	2,792	16,322	276,403
Schemes completed	16,846	0	0	0	(16,846)	0
Additions	77	0	86	0	7,200	7,363
Works to existing properties	1,160	0	0	0	0	1,160
Disposals	(2,095)	(56)	0	0	(11)	(2,162)
At 31st March 2016	256,076	3,431	13,800	2,792	6,665	282,764
Depreciation & Impairment						
At beginning of year	29,830	274	1,016	306	1,230	32,656
Charge for the year	3,108	10	279	37	0	3,434
Impairment	0	0	0	0	0	0
Disposals	(852)	0	0	0	0	(852)
At 31st March 2016	32,086	284	1,295	343	1,230	35,238
Net book value						
At 31st March 2016	223,990	3,147	12,505	2,449	5,435	247,526
At beginning of year	210,258	3,213	12,698	2,486	15,092	243,747

	March 2016 £000	March 2015 £000
Housing properties comprise:		
Freeholds	246,297	242,653
Leaseholds	1,229	1,094
	247,526	243,747

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

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

Group and Association	March	March
	2016	2015
	£000	£000
Expenditure on works to existing properties:		
Improvement works capitalised	0	0
Components capitalised	1,160	1,154
Amounts charged to income and expenditure	6,060	5,941
	7,220	7,095
Social housing assistance		
Total accumulated social housing grant received or receivable at 31st March:		
Capital Grant	1,293	776
Revenue Grant	405	369
	1,698	1,145

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 current year, Linc has assessed that there is no impairment to recognise.

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

10. Fixed assets - other

Group and Association	Office premises	Furniture and equipment	Computer equipment	Motor Vehicles	March 2016
Cost	£000	£000	£000	£000	£000
At beginning of year	2,723	2,086	1,293	27	6,129
Additions	5	65	95	0	165
Disposals	0	(19)	(21)	0	(40)
At 31st March 2016	2,728	2,132	1,367	27	6,254
Depreciation					
At beginning of year	1,193	1,138	1,052	13	3,396
Charge for the year	80	24	123	7	451
Disposals	0	(13)	(21)	0	(34)
At 31st March 2016	1,273	1,366	1,154	20	3,813
Net Book Value					
At 31st March 2016	1,455	766	213	7	2,441
At beginning of year	1,530	948	241	14	2,733

Depreciation is provided on the following basis:

Office Premises	2% - 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 2016 (continued)

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

Group and Association	March 2016 £000
At beginning of the year	9,019
Additions	0
Increase in value	191
At 31st March 2016	9,210

12. Homebuy loans receivable

Group and Association	March 2016 £000	March 2015 £000
At beginning of the year	1,059	1,143
New loans issued	0	0
Interest receivable	0	0
Loans repaid	(199)	(84)
Loans provided against	0	0
At 31st March 2016	860	1,059

13. Investment in subsidiaries

Subsidiary undertakings

Company Name	Country	Class of shares	Percentage Shareholding
Tarbed Limited	UK	Ordinary	100%

	Investments in subsidiary companies
Company	£
Cost or valuation at 1st April 2015 and 31st March 2016	1
Net book value at 31st March 2016	1
Net book value at 31st March 2015	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 2016 (continued)

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

Operating lease payments amounting to £2,921 (2015: £2,921) are due within one year. The leases to which these relate expire as follows:

Group and Association	March 2016 £000	March 2015 £000
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

	Group March 2016 £000	Group March 2015 £000	Association March 2016 £000	Association March 2015 £000
Arrears of rent and service charges	1,339	1,207	1,339	1,207
Less: Provision for bad and doubtful debts	(583)	(770)	(583)	(770)
	756	437	756	437
Other grants and loans receivable	83	156	83	156
Cash in transit	316	235	316	235
Insurance prepayment	54	97	54	97
Sales ledger	197	241	197	241
Amounts owed by group companies	(0)	0	160	393
Housing Finance Grant	1,989	2,020	1,989	2,020
Other debtors and prepayments	311	365	265	331
	3,706	3,551	3,820	3,910

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

	Group March 2016 £000	Group March 2015 £000	Association March 2016 £000	Association March 2015 £000
Cash at bank and in hand	11,146	15,318	11,030	15,247
Bank Overdraft	0	0	0	0
	11,146	15,318	11,030	15,247

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

17. Creditors: amounts falling due within one year

	Group March 2016 £000	Group March 2015 £000	Association March 2016 £000	Association March 2015 £000
Prepayments of rents and service charges	675	494	675	494
Housing loan principal instalments	3,994	3,802	3,994	3,802
Housing loan interest instalments	275	267	275	267
PAYE/National Insurance	169	227	169	227
Pension	56	54	56	54
Due to Customs and Excise - VAT	20	64	18	28
Income in advance	253	349	253	349
Cyclical maintenance	90	68	90	68
Payments to contractors	18	44	18	44
Planned repairs	98	0	98	0
Reactive maintenance	255	85	255	85
Service charge costs	245	270	245	270
Purchase ledger	208	383	208	383
Amounts owed to group companies	0	0	361	921
Other creditors and accruals	1,134	1,369	780	778
	7,490	7,476	7,495	7,770

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

Group and Association

	March 2016 £000	March 2015 £000
Housing loans	93,745	98,164
Social Housing Grant	129,348	130,458
Home Ownership Grants	287	327
Recycled capital grant fund	3,094	2,065
Disposal proceeds fund	299	235
	226,773	231,249

	March 2016 £000	March 2015 £000
Housing loans are secured by fixed charges on housing properties and are repayable in instalments as follows:		
One year or less	3,994	3,802
Between one and two years	4,475	4,261
Between two and five years	21,915	21,620
In five years or more	67,355	72,283
	97,739	101,966

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 2013 to 2051.

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

19. Commitments under finance leases

Neither Linc or Tarbed Limited had any commitments under finance leases at 31st March 2016 or at 31st March 2015.

20. Deferred income - social housing grants

Group and Association

	Social Housing Properties	Shared Properties Under Ownership	Shared Properties Under Construction	Total
	£000	£000	£000	£000
Cost				
At beginning of year	144,090	2,192	3,489	149,771
Schemes completed	2,908	0	(2,908)	0
Additions	0	0	1,293	1,293
Disposals	(1,112)	(37)	0	(1,149)
At 31st March 2016	145,886	2,155	1,874	149,915
Amortisation				
At beginning of year	19,019	294	0	19,313
Charge for the year	1,437	15	0	1,452
Disposals	(193)	(5)	0	(198)
At 31st March 2016	20,263	304	0	20,567
Net book value				
At 31st March 2016	125,623	1,851	1,874	129,348
At beginning of year	125,071	1,898	3,489	130,458

The grants are amortised as follows:

	March 2016	March 2015
	£000	£000
Amounts falling due:		
One year or less	1,444	1,452
Between one and two years	1,444	1,452
Between two and five years	4,330	4,356
In five years or more	122,130	123,198
	129,348	130,458

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

21. Deferred income - home buy grants

Group and Association	March 2016 £000	March 2015 £000
At beginning of year	327	338
Grants received in the year	50	36
Disposals	(90)	(47)
At 31st March 2016	287	327

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 2016 the value of these grants amounted to £287,302 (31st March 2015: £327,582).

22. Recycled capital grant fund

Group and Association	March 2016 £000	March 2015 £000
At beginning of year	2,065	1,423
Grants recycled	1,104	1,016
Withdrawals	(75)	(374)
At 31st March 2016	3,094	2,065

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

23. Disposal proceeds fund

Group and Association	March 2016 £000	March 2015 £000
At beginning of year	235	167
Grants recycled	64	68
Withdrawals	0	0
At 31st March 2016	299	235

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 2016 (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.

25. Share capital

Group and Association	March 2016 £	March 2015 £
Shares of £1 each fully paid		
At beginning of year	29	29
Issued during the period for cash	0	2
Cancelled during the period	(5)	(2)
At 31st March 2016	24	29

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

Group and Association	March 2016 £000	March 2015 £000
Expenditure contracted for but not provided in the accounts	3,280	7,580
Expenditure authorised by the Board, but not contracted	11,820	3,320
	15,100	10,900

The above commitments will be financed primarily through available funds, Social Housing Grant and Housing Finance Grant and borrowings which are available for draw-down under existing loan arrangements.

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

27. Units in management

Group and Association

	March 2016 Units	Movement Units	March 2015 Units
Social housing			
General Needs	2,810	(63)	2,873
Extra Care	312	0	312
Sheltered	370	0	370
Supported	152	3	149
Intermediate Rent	192	164	28
Shared Ownership	152	(3)	155
Home Buy Option	99	(5)	104
	4,087	96	3,991
Non-social housing			
Care Home	147	0	147
Market Rent	86	0	86
Retail	9	0	9
Total in management	4,329	96	4,233

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 2015 and the 31st March 2016, Mr. Laurence O'Leary and Mrs Diana Whitlock served as Board Members. These Board Members are tenants of Linc and rent properties 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.

	Rent Charged for the year	Rent outstanding at 31st March 2016
Mr L O'Leary	£4,409	£146
Mrs D Whitlock (tenancy ended 2nd August 2015)	£1,540	£Nil

Linc-Cymru Housing Association Limited

Notes to the Financial Statements

For the year ended 31st March 2016 (continued)

29. (Cont.) Related party transactions

Employee loans

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

Robert Smith, Chief Executive, loan outstanding at 31st March 2016 £10,230 (2015 £15,615), the loan term is 36 months.

Campbell Bardo, Executive Director of Corporate Services, loan outstanding at 31st March 2016 £6,622 (2015 £10,900), the loan term is 36 months.

Loans are charged an interest rate of bank base rate at the time of loan issue plus 2%.

30. Contingent liabilities

There were no contingent liabilities at 31st March 2016, or at the 8th September 2016, the date the financial statements were approved by the Board of Management.

31. Explanation of transition to FRS 102

This is the first year that Linc has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31st March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

In carrying out the transition to FRS 102, Linc has not applied any of the optional exemptions as permitted by Section 35 Transition to this FRS.

Revaluation of investment properties

Linc's market rent properties meet the definition of investment properties set out in paragraph 16.2 of FRS 102. The investment property has been measured at fair value at each reporting date with the changes in fair value recognised in the Statement of Comprehensive Income.

Amortisation of grant related to land

Previous UK GAAP allowed only the housing property structure element of a government grant to be amortised over the expected useful life of the structure. Under FRS 102 all of the government grant relating to a housing property is amortised over the useful life of the housing property structure. This change has resulted in an increase in opening reserves of £6,127,000 relating to the amortisation of the government grants specifically relating to the land element of the housing properties.

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2016 (continued)

31. (Cont.) Explanation of transition to FRS 102

Impairment of properties

The impairment charge relates to Linc's retail units that were valued at the year end on a market valuation basis.

Reverse depreciation charged on investment properties

This relates to the removal of the depreciation previously charged relating to the newly classified investment properties that are now held at fair value.

Holiday pay accrual

An accrual is now made for entitlement to holiday pay at the year end which has not been taken by employees. This has been calculated based on payroll records and totalled £130,000 as a liability in opening reserves.

Transition to FRS 102

Restated consolidated statement of financial position	31st March 2015 £000	1st April 2014 £000
Original reserves	32,164	30,402
Revaluation of investment properties	(1,540)	(1,540)
Amortisation of grant related to land	6,127	5,813
Impairment of properties	(207)	(207)
Reverse depreciation charged on investment properties	91	0
Holiday pay accrual	(130)	0
Reserves	36,505	34,468

Restated association statement of financial position	31st March 2015 £000	1st April 2014 £000
Original reserves	32,370	30,527
Revaluation of investment properties	(1,555)	(1,555)
Amortisation of Grant related to Land	6,127	5,813
Impairment of housing properties	(207)	(207)
Reverse Depreciation charged on investment properties	91	0
Holiday pay accrual	(130)	0
Reserves	36,696	34,578

Restated association surplus for the year ended 31st March 2015	31st March 2015 £000
Original surplus for the year	1,843
Amortisation of Grant related to Land	314
Reverse Depreciation charged on investment properties	91
Holiday pay accrual	(130)
	2,118

Linc-Cymru Housing Association Limited

Operating and Financial Review 7 Year Summary

For the year ended 31st March 2016

The following page does not form part of the statutory financial statements which are the subject of the independent auditors' report on pages 24-25.

For the year ended 31st March	2016 Restated*	2015 Restated*	2014	2013	2012	2011 Restated**	2010
Statement of Comprehensive Income (£'000)							
Total turnover	30,834	28,310	25,113	22,948	21,439	19,572	15,237
Income from Lettings	24,381	23,254	21,020	20,120	18,807	17,789	14,798
Operating surplus	7,579	6,238	5,828	5,985	6,002	4,295	3,821
Gain/(deficit) on disposal of Property, Plant and Equipment (fixed assets)	157	84	(119)	(169)	(92)	4,679	157
Maintenance expenditure ***	5,644	5,623	5,488	4,588	4,556	5,905	5,285
Interest and financing costs	4,155	4,424	4,364	4,152	4,260	3,674	3,230
Surplus on Property Revenue Account	3,424	1,814	1,464	1,833	1,742	621	591
Surplus for the year	3,923	2,118	1,532	1,760	1,790	4,081	767
Statement of Financial Position (£000)							
Total fixed assets	260,037	256,558	261,249	256,732	251,092	239,628	235,215
SHG and other capital grants	(129,348)	(130,458)	(150,021)	(146,554)	(145,695)	(145,670)	(142,424)
Tangible fixed assets net of capital grants and depreciation	130,689	126,100	111,228	110,178	105,397	93,958	92,791
Net current assets / (liabilities)	7,355	11,387	21,401	8,687	3,765	5,796	(557)
Borrowings - Housing Loans	97,739	101,966	104,135	91,417	82,891	74,915	67,197
Reserves							
: designated	2,002	1,965	1,711	1,406	1,244	986	737
: revenue	38,617	34,731	28,816	27,589	25,991	24,459	24,309
: total	40,619	36,696	30,527	28,995	27,235	25,445	25,046
Accommodation figures							
Total housing stock owned at year end (number of dwellings):							
Social housing	4,173	4,077	4,063	4,057	4,013	3,881	3,704
Nursing Home	147	147	102	72	72	72	70
Total	4,320	4,224	4,165	4,129	4,085	3,953	3,774
Statistics							
Surplus for the year as a percentage of turnover	12.7%	7.5%	6.1%	7.7%	8.3%	20.9%	5.0%
Surplus for the year (excluding gain/(deficit) on disposal of Property, Plant and Equipment) as a percentage of turnover	12.2%	7.2%	6.5%	8.4%	8.8%	3.2%	4.0%
Rent losses (voids and bad debts as percentage of rent and service charges receivable)	0.7%	0.9%	1.4%	1.3%	1.4%	1.4%	1.4%

Linc-Cymru Housing Association Limited
Operating and Financial Review 7 Year Summary
For the year ended 31st March 2016 (continued)

For the year ended 31st March	2016 Restated*	2015 Restated*	2014	2013	2012	2011 Restated**	2010
Rent arrears (gross arrears as a percentage of rent, service charges and care home fees receivable)	4.8%	4.8%	4.4%	4.0%	4.2%	4.1%	4.4%
Borrowing costs as a percentage of turnover	13.5%	15.6%	17.4%	18.1%	19.9%	18.8%	21.2%
Revenue maintenance costs as a percentage of turnover***	18.3%	19.9%	21.9%	20.0%	21.3%	30.1%	34.6%
Interest cover (surplus before interest payable divided by interest payable and capitalised interest)	1.9	1.5	1.3	1.4	1.4	2.1	1.2
Liquidity (current assets divided by current liabilities)	2.0	2.5	4.0	2.4	1.5	1.7	(0.9)
Gearing (total loans as % of capital grants plus reserves)	53.5%	56.0%	57.6%	52.1%	47.9%	43.8%	40.1%
Total reserves per unit (£)	£9,402	£8,687	£7,329	£7,022	£6,667	£6,436	£6,636

*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.

