

Linc-Cymru Housing Association Limited Annual Report and Financial Statements for the year ended 31st March 2019



**Linc-Cymru Housing Association Limited
Annual Report and Financial Statements
For the year ended 31st March 2019**

Linc-Cymru Housing Association Limited

Annual Report and Financial Statements

For the year ended 31st March 2019

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Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2019

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 2019.

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

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

Legal Status and Structure of Linc-Cymru Housing Association Group

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

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

At 31st March 2019 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.



Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2019 (continued)

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 Executive Team has growth aspirations which cover all areas of operations. The Welsh Government has set a target for affordable homes for the current term of Government at 20,000 homes. This is an ambitious target and one that Linc is committed in helping to achieve.

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

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

Strategic Corporate Objectives

We continue to adopt our approach of focusing on a limited number of Corporate Objectives with the objective of delivering continuous improvement. The OneLinc Business Plan launched in 2019 has the key purpose of 'Creating the right environment for people to flourish'. To create the right environment for people to flourish, we will be Passionate, Ambitious and Respectful. The Business Plan includes four Strategic Corporate Objectives.

1. New Business and Growth

Our OneLinc goals:

- Creating 1,700 new homes by 2026 that support a good quality of life.
- Providing homes for sale to support our ongoing investment in affordable housing.
- Extending our use of modern methods of construction to create environmentally conscious and sustainable developments.
- Partnering to deliver solutions that meet health, housing, leisure and workplace needs.

Linc-Cymru Housing Association Limited Strategic Report For the year ended 31st March 2019 (continued)

2. Wellbeing and Personal Development

Our OneLinc goals:

- Designing work environments and practices that support wellbeing.
- Investing in staff and residents to maximise their talents.
- Learning and improving through research and innovation.
- Building skills that support Linc as a modern business.

3. Modern and Excellent Services

Our OneLinc goals:

- Delivering digital services to meet the changing needs of our customers.
- Investing in systems that support our staff to work efficiently.
- Using data and insight to support intelligent decision making.
- Learning and improving through research and partnership.

4. Prosperous Business

Our OneLinc goals:

- Supporting the social and economic ambition of customers.
- Involving our customers, listening, learning and acting on their views.
- Value for Money leading improvements to create capacity.
- Delivering a modern governance framework.



Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2019 (continued)

During 2019, the Board reiterated:

1. The principle of building up to 1,700 new homes over the next 10 years.
2. That the focus on growth should remain in our traditional areas whilst not discounting windfall opportunities that arise from time to time in other parts of Wales that add value to our core business.
3. That the Board should examine how even greater financial capacity can be achieved without undermining the ongoing ability of Linc to secure a sustainable future for its current assets.

Risk Management

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

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

Welfare Reform

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

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

The Introduction of the National Living Wage

The introduction of the National Living Wage to at least £9 per hour by 2020, has and will continue to 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 benefit from these increasing hourly rates of pay.

We continue to model the ongoing impact of these increases and our financial forecasts are robust enough to meet the additional costs.

Health and Safety Failure

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 indicator 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 monthly on our health and safety performance and the Board receives health and safety learning and development training at least annually. During the year, we recruited additional resource to our Health and Safety team.

Linc's Fire Safety Strategy was approved by the Board in July 2017 and during 2018/19 we continued to progress works arising from the Strategy to further strengthen our controls in fire safety for our tenants and residents.

Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2019 (continued)

Nursing Homes

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

- The issuing of a non-compliance notice from Care Inspectorate Wales (CIW), 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 CIW 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.

In July 2019 we appointed Richard Davies, Linc's Executive Director Care as Linc's Responsible Individual (RI). In order to satisfy the requirements of CIW, Linc's Board approved the appointment of Richard as a co-opted Non-Executive Director the appointment being for a period of six months which will be reviewed by the Board in January 2020.

Regulatory Engagement

The risk is that Linc does not take appropriate action in respect of the areas of Regulatory Engagement. We have a meaningful regulatory engagement that is accurately recorded and a positive relationship which is open and transparent.

Financial Risk Management Objectives and Policies

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

Cash Flow and Liquidity Risk

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

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

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

Linc-Cymru Housing Association Limited

Strategic Report

For the year ended 31st March 2019 (continued)

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.

We have an identified development programme of 900 social housing properties which will come into management during the next five years. Our thirty year financial models indicate that we have significant additional capacity for development.

We operate nine extracare schemes in Cardiff, Newport, Ebbw Vale and Bridgend. These schemes which are developed with Social Housing Grant and are let on our standard tenancy lease. Our current development programme includes up to 5 extra care schemes in Rhondda Cynon Taff (RCT). With our existing operations, financial stability and resources we consider that the future prospects for Linc in meeting the growing housing and care needs continue to be positive.

Baneswell Housing Association Limited

In October 2018 Housing Associations in Wales were invited by Baneswell Housing Association (BHA) to submit expressions of interest to enter into a transfer of engagement. BHA were seeking a partner to safeguard their successful business due to the economy becoming more unpredictable, uncertainties surrounding Welfare Reform and the move towards digitalisation. BHA owns 70 homes in central Newport which are in good condition with no outstanding mortgage debt. BHA makes annual surpluses, is financially strong and has a strong community presence. Linc was chosen by BHA to be their preferred partner and during 2019 we have been going through a comprehensive due diligence process. We expect the transfer of engagement between BHA and Linc to be completed by October 2019. The Board of Linc very much welcomes this development and the opportunity for Linc to provide customer focused services to the tenants of BHA.

Approved by the Board and signed on its behalf by:



Richard Norton
Chair



Julia Attwell
Vice Chair

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2019

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:

TIAA Ltd
Artillery House
Newgate Lane
Fareham
PO14 1AH

External Auditors:

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

Bankers:

HSBC Bank PLC
56 Queen Street
Cardiff
CF10 2PX

Solicitors:

Blake Morgan LLP
One Central Square
Cardiff
CF10 1FS

Hugh James LLP
Two Central Square
Cardiff
CF10 1FS

Board Members



Richard Norton, Chair

With over 25 years in senior financial roles in manufacturing, Richard joined Linc's Board in May 2014 and became Chair of the Board in March 2018. Richard is also Chair of the Development Committee and Chair of the Nominations Committee.



Julia Attwell, Vice Chair

Julia works in Business Development for a mental health charity and is Managing Director of Ffocws Consulting Ltd. Julia sits on several Boards in South Wales and joined Linc's Board in June 2016. She became Vice Chair of the Board in June 2018 and is a Member of the Audit Committee, Development Committee and Remuneration Committee.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2019 (continued)



Richard Miles

Richard is Head of Savings/Area Manager at the Swansea Building Society. He has over 25 years financial services experience gained within the banking/building society sector mainly in the Midlands and Wales. Richard joined Linc's Board in April 2019 as a co-opted member. He is a Member of the Audit Committee, Remuneration Committee and a Director of Tarbed Limited, a subsidiary of Linc. He will join the Nominations Committee in September 2019.



Bev Mills

Beverley had a 30 year career in social care working with vulnerable adults, children and families. She has also been a tenant of a housing association and worked in general needs and supported housing. Following retirement, she became a landlord in 2014. Beverley joined Linc's Board in May 2018 and is a Member of the Audit Committee, Pension Governance Committee, Development Committee and Nomination Committee.



Mandy Newton

Mandy is a proven leader in driving operational excellence and business growth in the IT and Customer Service Sectors. She is a leader that has worked at board level for over 20 years, with outstanding stakeholder management skills and the ability to build dynamic teams, with extensive experience in business change. Mandy has worked in the government and private sectors, leading and implementing digital and business transformation programmes with Fujitsu Services and the Hyder Group. Mandy joined Linc's Board in April 2019 as a co-opted member. She is a Member of the Audit Committee and will join the Development Committee and Remuneration Committee in September 2019.



Gerraint Oakley

Gerraint will be joining Keepmoat Homes in September 2019 as a Regional Managing Director of their South West Division, based in Bristol. He is currently Managing Director of Curo's house building business in Bath. He has over 30 years' experience in property, estate and asset management, development and urban regeneration. Previously he was the Director of Development for Coastal Housing Group and MD of Pennant Homes. Gerraint joined Barratt Developments Plc in 2008 where he worked throughout the UK in Barratt and David Wilson Homes Divisions. Prior to joining Barratt, he worked for Vodafone for 10 years where he was a Global Property Strategy Manager. Gerraint joined Linc's Board in April 2019 as a co-opted member and is a Member of the Development Committee.



Jonathan Pearce

Jonathan is a Chartered Accountant and is employed as Commercial Finance Director for Warner Surveys, an international land and engineering surveying business. Jonathan is also a Fellow of the Chartered Institution of Civil Engineering Surveyors. He has over 20 years financial management experience gained within the construction sector. Jonathan joined Linc's Board in June 2016 and is Chair of both the Audit Committee and the Pensions Governance Committee. Jonathan is also the Chair of Tarbed Ltd, a subsidiary of Linc.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2019 (continued)



Keith Shankland

Director of KS Associates, Chair of JDE and Director/Trustee of several UK based companies. Keith joined Linc's Board in October 2009. He is a Member of the Remuneration Committee, Nominations Committee and the Development Committee.



Alan Sinclair

Alan recently retired after working for 38 years in social housing. During that time, he covered all aspects of housing, from being a Director of Operations at a Welsh housing association to working in housing strategy for a local authority. He has a particular commitment to housing for older people. Alan joined Linc's Board in June 2018 and is a Member of the Development Committee and the Nomination Committee.



Brian Thomas

Brian has been a tenant of Linc since February 2009. He is currently on the Tenant Panel and also attends the Contractor Review Meetings and Tenant Testers Meetings. Brian was Chair of the Tenant Panel from October 2014 until August 2017. He joined Linc's Board in September 2017 and is also a Member of the Audit Committee.



Lynda Williams

Lynda has recently retired after 40 years working in the health service. As a Registered Nurse Lynda has worked as a Clinician and Senior Manager across a range of Care sectors. The last 15 years of her career were as Executive Director of Nursing and Midwifery in NHS Wales. Lynda's areas of specific interest are governance, care standards and safeguarding. Lynda joined Linc's Board in September 2018 and is Chair of the Remuneration Committee and a Member of the Audit Committee.



Richard Davies

Richard is responsible for the leadership and performance of our care business including our three directly run nursing homes and our diverse range of Independent Living accommodation. Richard joined Linc's Board in July 2019 as a co-opted member. Richard is Linc's Responsible Individual (RI) for our three nursing homes.

Former Board Member

Diana Whitlock left the Board on 28th March 2019 following nine and a half years' service.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2019 (continued)

Executive Officers



Scott Sanders
Chief Executive

Scott 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.



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.



Louise Attwood
Executive Director
Property

Louise Attwood and her team are responsible for delivering the organisation's new business and growth strategy across our social and market rental products as well as our independent living business.



Richard Davies
Executive Director
Linc Care

Richard is responsible for the leadership and performance of our care business including our three directly run nursing homes and our diverse range of Independent Living accommodation.

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 2019 (continued)

Board and Corporate Governance

The activities of Linc are overseen by the Board which meets once every two months. There are five 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.

Development Committee

The Development Committee meets at least three times a year. The objectives and purpose of the Committee are to support and advise the Board on new development to ensure that:

1. The viability and risk associated with new development proposals is in line with the Board approved business plan.
2. New developments are in line with the Board approved assumptions.
3. The cumulative risk profile of the development programme remains in line with the Board approved parameters.
4. Significant variances against approved feasibilities are reported to the Board.

Pension Governance Committee

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

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

Remuneration Committee

The Remuneration Committee meets at least once a year. The objectives and purpose of the Remuneration Committee are to support and advise the Board on all matters relating to the remuneration and terms and conditions of service of:

1. The Non-Executive Directors
2. The Chief Executive Officer (CEO) and the Executive Directors, who together form the Executive Team.
3. All other Linc employees

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2019 (continued)

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 fulfil 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.
- 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.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2019 (continued)

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 2018 to 5th September 2019, the date of this report.

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

- Standing Orders and Financial Regulations which detail the delegated authority from the Board of Management to Officers.
- Management information and accounting systems with monthly reporting of financial results and other performance indicators compared with forecasts and budgets.
- Rolling five year strategic plans, forecasts and development plans.
- A business model forecasting Linc's financial position over the next 30 years.
- Monitoring of the control system by the Audit Committee, internal auditors and external auditors.
- Ensuring that formal policies and procedures are in place, including the documentation of key systems.
- Linc has in place a process for identifying, evaluating and managing the significant risks it faces. The Corporate Risk Register which is supported by individual Departmental Risk Registers is reviewed at each meeting of the Audit Committee, by the Senior Leadership 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 5th September 2019.
- During 2019 the Board approved the introduction of a Board Assurance Framework (BAF) and we are working to incorporate the BAF into the Corporate Risk Register.
- 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 2018/19 an extensive review of governance was undertaken. As a result, the governance structure evolved to ensure that Linc remains dynamic, focused, and fit to face future challenges:

- The payment of Non-Executive Directors was introduced.
- The Development Committee was established to provide additional scrutiny and assurance around our new build programme.
- Four additional Non-Executive Directors were recruited including Linc's Executive Director Care who was co-opted onto the Board as Linc's Responsible Individual.
- Board meetings have reduced from monthly to once every two months with meetings lasting no longer than 3 hours.
- Agenda items are time lined to provide an appropriate allocation of time for papers to ensure all papers are given full consideration.
- Agendas are structured to include, decision items, discussion items and information items.
- Protected time is given to Nursing Care and Health & Safety on each agenda to satisfy the requirements of CIW (Care Inspectorate Wales) Regulation and Business Risk.
- Non-Executive Director updates focus on business intelligence gleaned from external events/meetings.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2019 (continued)

Board Portal

The Board portal was launched in 2018/19 which has formed an important part of maintaining strong governance through Non-Executive Directors self-service. The portal contains information of the following nature:

- Monthly reporting on finance, Health & Safety and Nursing Home Governance
- Constitutional documents including Linc's Rules, the Memorandum and Articles of Linc's subsidiary Tarbed Limited, Statutory Accounts, Committee/Board papers and minutes
- Regulatory documents including Judgements, Performance Standards, Compliance Statement, Self-Evaluation
- Business strategies including the Business Plan, Asset Management and Treasury
- Calendar of community events
- Continuing Professional Development
- Sector News

Compliance with the Revised CHC (Community Housing Cymru) Code of Governance

The Welsh Government published the 'Right Stuff - Improving Housing Association Governance in Wales' in 2018, and the refreshed CHC Code of Governance was also published. Strong governance is essential to effectively respond to these challenges. Continued regulatory focus on co-regulation emphasises Board responsibility for demonstrating effective leadership and good governance.

The Board considered Linc's compliance against the CHC Code of Governance. It was an opportunity for the Board to reflect on the quality of Linc's governance, and to act as a prompt for any improvements. The Board agreed that Linc's compliance had been robustly demonstrated and agreed the areas for improvement, including Linc's approach to equality, diversity and inclusion.

Board Membership

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.

The Board as a whole, benefits by having members, all of whom are drawn from the private and public sectors, 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.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2019 (continued)

- 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 an 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 Non-Executive Directors 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.

Care Inspectorate Wales

Care inspectorate Wales (CIW), the statutory body that regulates care standards in nursing homes in Wales, requires all providers of nursing homes in Wales to appoint a Responsible Individual (RI). The RI must be an individual who has either a financial interest in the business or is in a position of authority to direct the care delivered. In order to satisfy this requirement and after lengthy discussions with CIW, Linc appointed Richard Davies, Linc's Executive Director Care as a co-opted Board Member in July 2019. Richard's appointment as Linc's RI has been approved by CIW.



Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2019 (continued)

Tenant and Resident Involvement and Engagement

Linc recognises the significant role tenants play in driving the business forward and works with them to improve our services. Providing a flexible framework to support tenants to make a difference is critical. Our commitment to tenants is backed up by the Welsh Government who want to make sure that we involve tenants at a strategic level. This is set out in Welsh Government Performance Standard 2 which states there must be 'effective and appropriate tenant involvement and high quality and improving services.' Demonstrating this standard includes involving tenants in strategic decisions.

There are several outcomes to achieve for our tenant and resident engagement including:

- Hearing and capturing more tenant voices to guide, influence and shape services through a variety of engagement methods.
- Working with the tenant panel to refresh their purpose and structure so they have more of a say on strategic rather than operational or day to day matters.
- Developing new models of tenant led scrutiny to shape and improve our services.

We are continuing to refresh our offer to include more digital methods of engagement, recognising that some tenants will not wish to get involved in more formal methods of engagement. As we strengthen our approach to engagement over the next two years, we will review the structure to ensure it remains fit for purpose and considers new and emerging priorities for Linc, its tenants and communities.

In addition to our work around tenant involvement and engagement, the Linc community regeneration team is responsible for developing our approach across several areas of work including community benefits, supporting tenants into training and employment, and work around growing green spaces across our estates.

During 2018/19 the team has accessed external grant funding to support Linc's approach to development green spaces, embedded community benefits into 10 development sites, and helped many tenants and community members into training, volunteering, work placements and jobs.

Employee Involvement and Participation

Good communication is a powerful tool to drive employee engagement and involvement and therefore, this is a key factor in our OneLine Business Plan 2019-2021. We utilise a number of methods to involve and communicate effectively with our employees so that they help shape Linc and are aware of Linc's business performance and objectives, future plans and activities.

As our staffing complement undertakes more mobile working and increasingly delivers our services out in the community; communication and consultation requires innovative and varied styles and methods to ensure we reach everyone in the most appropriate way and at the right time.

We utilise both modern and traditional methods, whichever is most appropriate to deliver our messages. We encourage staff to make use of all platforms available to share their stories of the great work they do as well as to request, information, support or advice as required. Our organisational modernisation programme will enhance and develop this further in the future.

Linc-Cymru Housing Association Limited

Board and Governance Report

For the year ended 31st March 2019 (continued)

Specifically, we know how vital good mental health is to everyone and the sharing of knowledge and information is a fundamental part of this. We have invested heavily in supporting wellbeing in the workplace, including training managers and Mental Health Champions to be able to spot the signals that someone might need support and to signpost where best for them to seek the help. We are committed to signing the Time to Change Pledge before the end of 2019, and creating the right environment for people to flourish.

During this year we held a large number of focus groups across Linc, where more than 230 employees had the opportunity to tell us how they felt about being an employee of Linc. Their feedback, along with the opinions shared in surveys and face to face meetings has been fundamental in helping to inform our Wellbeing Strategy. This strategy has four main areas of focus, in addition to mental health wellbeing and include, financial, environmental/social and physical. The delivery of this strategy is a key objective for us for 2019-2021.

Employee Acknowledgement

The Board wishes to thank all Linc employees for their commitment to our tenants, residents and stakeholders during the year. The Board appreciates all that you do for the Association and for those for whom we provide homes.

Regulatory Judgement

The last Regulatory Judgement was issued by the Welsh Government in January 2019. Linc received the following judgement:

December 2018

Governance and Services - Standard

Financial Viability - Standard

The Board welcomed this judgement noting that 'Standard' is the highest category that the Welsh Government can award.

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



Scott Sanders
Chief Executive

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2019

Financial Review

In summary, the Association's financial results for the year ended 31st March 2019 are considered to be satisfactory. The surplus for the year amounted to £2.9 million compared to the budgeted surplus of £3.04 million. The Board receives monthly finance reports, which detail any trends as they emerge. All surpluses are retained by the Association in accordance with the Rules with no distributions made to Shareholders. The significant variances in the year compared to that budgeted are:

1. Additional expenditure on maintenance/asset management of £0.9 million. The Board was fully informed on this additional expenditure throughout the year and approved specific additional costs. The additional costs included fire prevention works, health and safety repairs, reactive and cyclical works and unforeseen disrepair and major works.
2. A surplus of £424,000 was achieved on 30 property sales compared to the budgeted surplus of £120,000, resulting in an additional surplus of £304,000 compared to budget.
3. Net savings in interest costs against budget amounted to £155,000. Bank Base Rate remained at 0.5% until August 2018 which was lower than the budget assumption of 0.75%. In addition, a loan facility was repaid at the end of the 2017/18 financial year after the budget was set, the interest cost of this facility having been included in the budget. Against these savings additional interest costs were incurred when we drew the 1st tranche of the Private Placement in November 2018.
4. A revaluation surplus of £455,000 on our investment properties following the annual revaluation required under accounting standards.

Significant Management Judgements and Key Sources of Estimation Uncertainty

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

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

Significant Management Judgements

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

Impairment of Social Housing Properties.

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

Property Classifications

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

Financial Instruments

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

Linc-Cymru Housing Association Limited
Financial and Performance Review
For the year ended 31st March 2019 (continued)

Estimation Uncertainty

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

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

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

The main components of housing properties and their useful lives

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

Linc-Cymru Housing Association Limited
Financial and Performance Review
For the year ended 31st March 2019 (continued)

Fair Value Measurement

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

Provisions

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

Consolidated Statement of Comprehensive Income

	2019	2018
	£000	£000
Turnover	38,263	37,437
Operating expenditure	(31,850)	(30,824)
Operating surplus	6,413	6,613
Gain on disposal of property, plant and equipment	316	86
Finance Income	135	62
Interest and financing costs	(4,395)	(4,994)
Surplus on revaluation of investment properties	455	350
Total Comprehensive income for the year	2,924	2,117

Turnover

Turnover for the year ended 31st March 2019 rose by £0.83 million (2.2%) from £37.4 million to £38.3 million. This increase derived from two sources:

- the increase in rents from social housing lettings from 1st April 2018. We increased our rents by the maximum amount permitted under the rent policy of the Welsh Government.
- Additional units coming into management. During the year an additional 63 social housing homes came into management.

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2019 (continued)

Operating Expenditure

Net operating costs increased by £1.0 million (3.3%) to £31.9 million. The following items account for the increase:

- An increase in maintenance/asset management costs of £0.9 million. The increase included additional expenditure on health and safety and fire safety prevention works as well as an increase in reactive repair costs.
- Increasing staff costs arising from:
 - The 2018/19 annual pay award.
 - The increase in the National Minimum Wage.
 - The additional employees recruited during the year.
- Savings achieved in management costs and overheads.

Interest and Financing Costs

Interest payable at £4.395 million was significantly lower than in the preceding year. During 2018 the Association incurred one off breakage costs on one facility amounting to £807,000. Bank Base Rate remained at 0.5% until August 2018 when it increased to 0.75% which was in line with our budgeted interest rate assumptions.

Total loans at 31st March 2019 amounted to £139.2 million a net increase of £30.7 million during the year. A high proportion (55.5%) of the loan portfolio continues to be held in fixed interest rate facilities. The average cost of borrowing for the year ended 31st March 2019 was 3.2% compared to 3.9% (excluding breakage costs) for the year ended 31st March 2018.

Disposal of Property Plant and Equipment

A net surplus of £316,000 was recorded on the disposal of property plant and equipment. During the year, 30 property transactions took place and included 4 shared ownership stair casing transactions, 4 home buy option transactions, 2 right to acquire and 20 voluntary sales. The 20 voluntary sales were made in accordance with the Board approved Property Sustainability Strategy.

Surplus on Revaluation of Investment Properties

Linc owns and manages a number of market rent properties, which under FRS 102 are included as investment properties, these being non-social housing properties held for letting. These investment properties are valued annually in accordance with the requirements of FRS 102 and the 2014 SORP and the surplus on the valuation carried out in 2019 resulted in an increase in the value of the properties of £455,000. Linc has no intention of disposing of these housing properties and the increase in value will only be realised should these properties be sold.

Linc Care Performance Review

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

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2019 (continued)

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. We put the people we care for at the centre of all we do focusing on what is important for people to achieve a good quality of life and with the opportunity to make choices and maintain control.

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

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

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

Consolidated Statement of Financial Position

	2019 £m	2018 £m
Fixed Assets	305.5	278.3
Current Assets	48.1	26.3
Total Assets	353.6	304.6
Housing Loans	139.2	108.5
Government Grant	157.7	142.9
All other Liabilities	6.5	5.9
Total Liabilities	303.4	257.3
Net assets as represented by reserves	50.2	47.3

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2019 (continued)

Reserves Statement

Total reserves at 31st March 2019 were £50.2 million, an increase of £2.9 million (6.2%) on 2018. £48.0 million of the reserves were income & expenditure reserves with the remaining £2.2 million being designated reserves that have been established 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 always 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 2019 was satisfactory. Net current assets amounted to £32.2 million compared to net current assets of £2.9 million at 31st March 2018, an increase of £29.3 million. Two reasons account for the increase in net current assets. The first is the increase of £21.4 million in cash and cash equivalents as a result of the drawdown of £35 million in November 2018 from the Private Placement facility and the second is the reduction in creditors due within one year of £7.4 million as a result of the successful re-negotiation of a term facility with one of Linc's funders.

Cash and cash equivalents at £39.6 million reflect the decisions to draw down private finance in advance and the requirement to draw the first tranche of the Private Placement. We will continue to draw from the Private Placement which will ensure that we have the cash resources to fund new Board approved schemes.

Capital Expenditure on New Homes

During the year, capital expenditure of £29.7 million was incurred in developing new schemes. At the end of the year capital commitments relating to ongoing development amounted to £60.12 million, which will be funded by a combination of Social Housing Grant, Housing Finance Grant and private finance.

Depreciation

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

Housing properties

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

Care properties

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

Land is not depreciated.

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2019 (continued)

Funding

Housing properties which have an historic cost of £347 million at 31st March 2019 are financed as follows:

Social Housing Grant (£177m)	51%
Private finance (£139m)	40%
Reserves and working capital (£31m)	9%

Linc has ten funders who provide private finance. The funding provided by each at 31st March 2019 was:

Funder	Facility Amount (£)
Dexia Credit Local	32.5m
Handelsbanken	7.8m
HBOS Plc	1.7m
M&G Investments Ltd.	5.6m
Nationwide Building Society	20.3m
Orchardbrook Ltd.	1.8m
Principality Building Society	8.9m
Private Placement	34.6m
RBS Plc	22.6m
Welsh Government	3.4m

Undrawn Facilities

A revolving credit facility for £20 million with an Accordion Option for a further £5 million is in place with Svenska Handelsbanken. At 31st March 2019 £7.8 million had been drawn from this facility. In November 2018 the Association raised £75 million by way of a Private Placement with a repayment profile of between 25 and 35 years. £35 million of the facility was drawn in November 2018, a further £20 million in April 2019 with the final £20 million to be drawn by December 2019.

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 2019.

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2019 (continued)

Property Stock

Property stock in management at 31st March 2019 was as follows:

General Needs	2,893
Extra Care	337
Sheltered and Supported Housing	500
Shared Ownership	144
Home Buy Option	90
Intermediate / Market Rent	306
Nursing Care	210
Retail units	9
Total Units	4,489

Employees

The average number of employees during the year was 662 (2018, 608 employees) with 491 full time equivalents (2018, 475 full time equivalents). During the year we recruited staff ahead of the opening of the two new extracare schemes in Bridgend county, at Maesteg and Tondu. Our continuing strategy for our nursing homes is to be less dependent on costly agency staff used to cover planned and unplanned absences. We have recruited additional nursing staff and carers to provide backfill thus reducing the reliance on agency staff.

Learning and Development

We place great emphasis on the learning, development and wellbeing of our employees so that they keep up to date with legislation and emerging technology, are able to adopt new approaches and enhance their skills. Support sessions are provided for those wishing to develop their career and we are regularly able to retain employees by promoting from within.

The Board have an annual Learning and Development plan with a blended offering of opportunities consisting of training courses, webinars, project updates and conferences.

Welsh Homes Quality Standard

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

Linc-Cymru Housing Association Limited

Financial and Performance Review

For the year ended 31st March 2019 (continued)

Performance Indicators

Targets are set for published Key Performance Indicators (KPI's) and they are used in the management of performance and in setting the strategies for continuous improvement. All indicators are derived from internal data and are calculated in accordance with published KPI's. Performance against these indicators is reported to the Board quarterly. A seven year summary of the operating and financial results of Linc is detailed on pages 61 and 62 of the financial statements.

Group Financial Statements and Subsidiary Company

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

Tarbed made an annual profit before tax in the year ended 31st March 2019 of £188,802 and the whole of this profit was remitted to Linc-Cymru Housing Association under the Corporate Gift Aid provisions. A Deed of Covenant dated 30th November 2017 is in place between Linc-Cymru Housing Association and Tarbed, which stipulates that all profits in Tarbed are to be paid over to Linc. Copies of the financial statements of Tarbed 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 2018/19 financial year 20 properties included in the strategy were sold.

Development

During 2018/19 a net 63 additional social housing homes came into management including the first extracare scheme in Bridgend, bringing the number of such schemes owned and managed by Linc to eight.

Developments Planned for 2019/20 to 2023/24

The Board approved budget and forward indicators include a development programme of identified schemes for the next five years which amounts to 909 social housing homes coming into management in this period. The development programme includes up to five extracare schemes for Rhondda Cynon Taff County Borough Council. A number of these schemes are currently on site with completions and handovers on 245 new social housing homes to take place during 2019 and 2020. These schemes will be funded by Social Housing Grant, Housing Finance Grant and private finance loans. The schemes are in Bridgend, Blaenau Gwent, Caerphilly, Cardiff, Newport and RCT.

Progress on the development programme is reviewed by the Development Committee.

At 31st March 2019, the Association had £5.1 million in the Recycled Capital Grant Fund and Disposals Proceeds Fund, which will be allocated to new schemes as they are developed during 2019/20 and later years.

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

Opinion

We have audited the financial statements of Linc-Cymru Housing Association (the 'parent society') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, the association statement of comprehensive income, the consolidated statement of financial position, the association statement of financial position, the consolidated statement of changes in reserves, the association statement of changes in reserves, the consolidated statement of cash flows and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent society's affairs as at 31 March 2019 and of the group's and parent society'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.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board is responsible for the other information. The other information comprises the information included in the Annual Report, set out on pages 1 to 26 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the 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.

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 12, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the group's and parent society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the group or parent society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

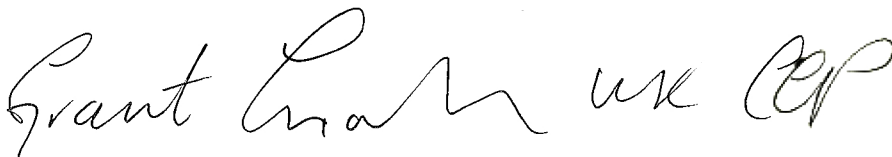
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Opinion on other matters prescribed by the Housing Association Circular 02/10 Internal Controls and Reporting ("the Circular")

With respect to the Board's statement on internal controls on page 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.

Who we are reporting to

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.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff
5th September 2019

Linc-Cymru Housing Association Limited
Consolidated Statement of Comprehensive Income
For the year ended 31st March 2019

	Notes	March 2019 £000	March 2018 £000
Turnover	2	38,263	37,437
Operating expenditure	2	(31,850)	(30,824)
Operating surplus	2	6,413	6,613
Gain on disposal of property, plant and equipment (fixed assets)	3	316	86
Finance Income	4	135	62
Interest and financing costs	6	(4,395)	(4,994)
Surplus on revaluation of investment properties		455	350
Surplus for the year		2,924	2,117
Total Comprehensive income for the year		2,924	2,117

Continuing Operations

The results for the year ending 31st March 2019 and the year ended 31st March 2018 relate wholly to continuing activities.

The financial statements were approved by the Board of management and authorised on 5th September 2019 and signed on their behalf by:

.....  Richard Norton (Chair)

.....  Julia Attwell (Vice Chair)

.....  Campbell Bardo (Secretary)

Linc-Cymru Housing Association Limited
Association Statement of Comprehensive Income
For the year ended 31st March 2019

	Notes	March 2019 £000	March 2018 £000
Turnover	2	38,100	37,437
Operating expenditure	2	(31,688)	(30,822)
Operating surplus	2	6,412	6,615
Gain on disposal of property, plant and equipment (fixed assets)	3	316	86
Finance Income	4	334	150
Interest and financing costs	6	(4,395)	(4,994)
Surplus on revaluation of investment properties		455	350
Surplus for the year		3,122	2,207
Total Comprehensive income for the year		3,122	2,207

Continuing Operations

The results for the year ending 31st March 2019 and the year ended 31st March 2018 relate wholly to continuing activities.

The financial statements were approved by the Board of management and authorised on 5th September 2019 and signed on their behalf by:

.....  Richard Norton (Chair)

.....  Julia Attwell (Vice Chair)

.....  Campbell Bardo (Secretary)

Linc-Cymru Housing Association Limited
Consolidated Statement of Financial Position
For the year ended 31st March 2019

	Notes	March 2019 £000	March 2018 £000
Fixed Assets			
Tangible Fixed Assets			
Housing properties	10	292,059	264,899
Other fixed assets	11	2,142	2,476
Investment Properties	12	10,660	10,205
Homebuy loans receivable	13	661	769
Investment in subsidiaries	14	0	0
Total Fixed Assets		305,522	278,349
Current Assets			
Trade and other debtors	16	8,567	8,072
Cash and cash equivalents	17	39,570	18,176
		48,137	26,248
Creditors: amounts falling due within one year	18	(15,939)	(23,347)
Net current assets		32,198	2,901
Total Assets less Current Liabilities		337,720	281,250
Creditors: amounts falling due after more than one year	19	(287,542)	(233,996)
Total Net Assets		50,178	47,254
Capital and Reserves			
Designated Reserve		2,281	2,239
Income & Expenditure Reserve		47,897	45,015
Total Reserves		50,178	47,254

The financial statements were approved by the Board of management and authorised on 5th September 2019 and signed on their behalf by:

.....  Richard Norton (Chair)

.....  Julia Attwell (Vice Chair)

.....  Campbell Bardo (Secretary)

Linc-Cymru Housing Association Limited
Association Statement of Financial Position
For the year ended 31st March 2019

	Notes	March 2019 £000	March 2018 £000
Fixed Assets			
Tangible Fixed Assets			
Housing properties	10	292,630	265,273
Other fixed assets	11	2,142	2,476
Investment Properties	12	10,660	10,205
Homebuy loans receivable	13	661	769
Investment in subsidiaries	14	0	0
Total Fixed Assets		306,093	278,723
Current Assets			
Trade and other debtors	16	8,655	8,403
Cash and cash equivalents	17	39,503	18,067
		48,158	26,470
Creditors: amounts falling due within one year	18	(15,967)	(23,577)
Net current assets		32,191	2,893
Total Assets less Current Liabilities		338,284	281,616
Creditors: amounts falling due after more than one year	19	(287,542)	(233,996)
Total Net Assets		50,742	47,620
Capital and Reserves			
Designated Reserve		2,281	2,239
Income & Expenditure Reserve		48,461	45,381
Total Reserves		50,742	47,620

The financial statements were approved by the Board of management and authorised on 5th September 2019 and signed on their behalf by:

.....  Richard Norton (Chair)

.....  Julia Attwell (Vice Chair)

.....  Campbell Bardo (Secretary)

Linc-Cymru Housing Association Limited
Consolidated Statement of Changes in Reserves
For the year ended 31st March 2019

	Supported Housing £000	Service Equipment £000	Total Designated £000	Revenue £000
Balance at 1st April 2017	353	1,821	2,174	42,963
Surplus for the year	0	0	0	2,117
Transfer to reserves	(22)	(225)	(247)	247
Transfer from reserves	45	267	312	(312)
Balance at 31st March 2018	376	1,863	2,239	45,015
Surplus for the year	0	0	0	2,924
Transfer to reserves	(23)	(250)	(273)	273
Transfer from reserves	42	273	315	(315)
Balance at 31st March 2019	395	1,886	2,281	47,897

Linc-Cymru Housing Association Limited
Association Statement of Changes in Reserves
For the year ended 31st March 2019

	Supported Housing £000	Service Equipment £000	Total Designated £000	Revenue £000
Balance at 1st April 2017	353	1,821	2,174	43,239
Surplus for the year	0	0	0	2,207
Transfer to reserves	(22)	(225)	(247)	247
Transfer from reserves	45	267	312	(312)
Balance at 31st March 2018	376	1,863	2,239	45,381
Surplus for the year	0	0	0	3,122
Transfer to reserves	(23)	(250)	(273)	273
Transfer from reserves	42	273	315	(315)
Balance at 31st March 2019	395	1,886	2,281	48,461

Linc-Cymru Housing Association Limited
Consolidated Statement of Cash Flows
For the year ended 31st March 2019

	March 2019 £000	March 2018 £000
Surplus for the year	2,924	2,117
Adjustment for non-cash items:		
Depreciation of property, plant and equipment	4,255	4,283
(Increase) in debtors	(410)	(174)
Increase in creditors	47	1,391
Impairment loss on property, plant and equipment	0	0
(Increase) in fair value of investment property	(455)	(350)
Adjustments for investing or financing activities:		
Profit / (loss) from the sale of property, plant and equipment	(316)	(86)
Government grants utilised in the year	(1,472)	(1,474)
Interest payable	4,395	4,994
Interest received	(135)	(62)
Net cash generated from operating activities	8,833	10,639
Cash flows from investing activities		
Purchase of property, plant and equipment	(29,877)	(15,846)
Works to existing properties	(2,107)	(1,106)
Proceeds from sale of property, plant and equipment	1,535	940
Grants received	15,980	7,060
Interest received	135	62
Net cash flows from investing activities	(14,334)	(8,890)
Cash flows from financing activities		
Interest paid	(3,832)	(5,007)
New loans	58,963	10,494
Repayments of borrowings	(28,236)	(4,211)
Net cash flows from financing activities	26,895	1,276
Net Increase in cash and cash equivalents	21,394	3,025
Cash and cash equivalents at beginning of year	18,176	15,151
Cash and cash equivalents at end of year	39,570	18,176

Free cash flow for the year ended 31st March 2019

	March 2019 £000	March 2018 £000
Net cash generated from operating activities	8,833	10,639
Interest paid	(3,832)	(5,007)
Interest received	135	62
Adjustments for reinvestment in existing properties		
Works to existing properties	(2,107)	(1,106)
Free cash generated before loan repayments	3,029	4,588
Loans repaid	(28,236)	(4,211)
Free cash generated after loan repayments	(25,207)	377

Linc-Cymru Housing Association Limited

Notes to the Financial Statements

For the year ended 31st March 2019

1. Accounting Policies

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

a) Basis of Accounting

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

b) Basis of Consolidation

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

c) Property, Plant and Equipment - Housing Properties

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

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

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

Major Components

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

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (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 & 20 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.

d) Shared Ownership Properties

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

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

e) Non-Housing Property, Plant and Equipment

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

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

f) Investment Properties

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

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

Investment properties were valued as at 31st March 2019. Linc's investment properties have been valued by Savills (UK) Limited, Chartered Surveyors, professional external valuers. The valuation report was prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017, and the RICS Valuation – Global Standards 2017 – UK national supplement issued 14 November 2018 and effective from 14 January 2019. Together (the "RICS Red Book"), and in particular in accordance with the requirements of VPS 3 entitled valuation reports.

In arriving at current market value:

For Cwrt Pen y Bryn properties in Cardiff a net yield of 6.0% on Savills opinion of the net Market Rent (assuming operating costs of 25%), before deducting standard purchaser's costs of 7.55%.

For the remaining 16 properties Savills have primarily had regard to capital values based on comparables and then applied target gross yields of 6.0% based on their opinion of Market Rent which reflects a range of discounts of 7% - 19% from the VP values.

g) Homebuy Loans Receivable

The loan to the purchaser of a property purchased under the Homebuy initiative or LCHO scheme is treated as a fixed asset investment. Linc retains equity shares in homes purchased under the Homebuy and LCHO schemes.

In accordance with FRS 102 these are treated as concessionary loans.

Linc-Cymru Housing Association Limited

Notes to the Financial Statements

For the year ended 31st March 2019 (continued)

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

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

h) Impairment of Social Housing Properties

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

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

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

i) Social Housing Grant and Housing Finance Grant

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

Social Housing Grant

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

Housing Finance Grant

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

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

Linc-Cymru Housing Association Limited

Notes to the Financial Statements

For the year ended 31st March 2019 (continued)

Recycled Grant

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

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

j) Adaptations Grants

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

k) Home Ownership Grants

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

l) Investment in Subsidiary

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

m) Housing and Other Loans are Classified as Basic Financial Instruments

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

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

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

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

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

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

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.

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.

Linc-Cymru Housing Association Limited

Notes to the Financial Statements

For the year ended 31st March 2019 (continued)

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 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.

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 the 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 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.

Linc-Cymru Housing Association Limited

Notes to the Financial Statements

For the year ended 31st March 2019 (continued)

Under the effective interest method, the amortised cost of a financial liability is the present value of future cash payments discounted at the effective interest rate and the interest expense in a period equals the carrying amount of the financial liability at the beginning of a period multiplied by the effective interest rate for the period.

y) VAT

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

z) Financial Instruments

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

Basic financial instruments are recognised at amortised historical cost.



Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

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

Group	March 2019			March 2018		
	Turnover £000	Operating Expenditure £000	Operating Surplus £000	Turnover £000	Operating Expenditure £000	Operating Surplus £000
Social housing lettings	25,762	(20,523)	5,239	25,124	(19,886)	5,238
Non-social housing activities						
Registered nursing homes	11,147	(10,429)	718	10,936	(10,165)	771
Lettings	695	(258)	437	679	(218)	461
Other	659	(640)	19	698	(555)	143
Sub total non-social housing activities	12,501	(11,327)	1,174	12,313	(10,938)	1,375
Total	38,263	(31,850)	6,413	37,437	(30,824)	6,613

Association	March 2019			March 2018		
	Turnover £000	Operating Expenditure £000	Operating Surplus £000	Turnover £000	Operating Expenditure £000	Operating Surplus £000
Social housing lettings	25,762	(20,529)	5,233	25,124	(19,887)	5,237
Non-social housing activities						
Registered nursing homes	11,147	(10,430)	717	10,936	(10,166)	770
Lettings	695	(258)	437	679	(218)	461
Other	496	(471)	25	698	(551)	147
Sub total non-social housing activities	12,338	(11,159)	1,179	12,313	(10,935)	1,378
Total	38,100	(31,688)	6,412	37,437	(30,822)	6,615

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

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

Group	March 2019				March 2018
	General needs housing £000	Supported housing and housing for older people £000	Low cost home ownership £000	Total £000	Total £000
Income					
Rent Receivable	15,089	4,264	276	19,629	18,984
Service Charge Income	379	3,419	0	3,798	3,755
Income for support services	3	68	0	71	95
Amortised government grants	686	786	0	1,472	1,474
Other revenue grants	546	246	0	792	816
Turnover from social housing lettings	16,703	8,783	276	25,762	25,124
Expenditure					
Management costs	3,719	1,496	148	5,363	4,885
Service charge costs	395	3,369	0	3,764	3,510
Routine maintenance	5,449	1,317	0	6,766	6,653
Planned maintenance	746	317	0	1,063	1,308
Bad debts	157	38	0	195	157
Depreciation of housing properties	1,995	1,377	0	3,372	3,373
Impairment of housing properties	0	0	0	0	0
Operating expenditure on social housing activities	12,461	7,914	148	20,523	19,886
Operating surplus on social housing lettings	4,242	869	128	5,239	5,238
Rent loss due to voids (memorandum note)	187	82	0	269	191

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

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

<u>Association</u>	March 2019				March 2018
	General needs housing £000	Supported housing and housing for older people £000	Low cost home ownership £000	Total £000	Total £000
Income					
Rent Receivable	15,089	4,264	276	19,629	18,984
Service Charge Income	379	3,419	0	3,798	3,755
Income for support services	3	68	0	71	95
Amortised government grants	686	786	0	1,472	1,474
Other revenue grants	546	246	0	792	816
Turnover from social housing lettings	16,703	8,783	276	25,762	25,124
Expenditure					
Management costs	3,719	1,496	148	5,363	4,883
Service charge costs	395	3,369	0	3,764	3,510
Routine maintenance	5,449	1,317	0	6,766	6,653
Planned maintenance	746	317	0	1,063	1,308
Bad debts	157	38	0	195	157
Depreciation of housing properties	2,001	1,377	0	3,378	3,376
Impairment of housing properties	0	0	0	0	0
Operating expenditure on social housing activities	12,467	7,914	148	20,529	19,887
Operating surplus on social housing lettings	4,236	869	128	5,233	5,237
Rent loss due to voids (memorandum note)	187	82	0	269	191

3. Gain on disposal of property, plant and equipment

	Group		Association	
	March 2019 £000	March 2018 £000	March 2019 £000	March 2018 £000
Surplus on the sale of housing properties	424	194	424	194
Loss on the disposal of plant and equipment	(108)	(108)	(108)	(108)
	316	86	316	86

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

4. Finance income

	Group		Association	
	March 2019 £000	March 2018 £000	March 2019 £000	March 2018 £000
Bank interest receivable	134	61	144	67
Other interest receivable	1	1	1	1
Gift aid from Subsidiary	0	0	189	82
	135	62	334	150

5. Operating surplus

	Group		Association	
	March 2019 £000	March 2018 £000	March 2019 £000	March 2018 £000
The operating surplus is stated after charging:				
Depreciation on housing properties	3,756	3,758	3,763	3,762
Impairment of housing properties	0	0	0	0
Depreciation on non-housing assets	499	525	499	525
	4,255	4,283	4,262	4,287
Auditor remuneration:				
In their capacity as auditor	34	23	29	23
Non audit fees	25	39	25	39

6. Interest and financing costs

	Group		Association	
	March 2019 £000	March 2018 £000	March 2019 £000	March 2018 £000
On Housing Loans repayable in instalments	4,387	4,178	4,387	4,178
Breakage Fee	0	807	0	807
Bank charges	8	9	8	9
	4,395	4,994	4,395	4,994

On the 28th of March 2018 Linc terminated its fixed rate loan with the Co-operative Bank PLC and the cost of converting this to a variable rate loan was £807,036. This termination fee has been accounted for in full within the income statement.

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

7. Employee information

Group and Association	March 2019	March 2018
The average number of employees during the year was	662	608
The average number of full time equivalent employees during the year was	491	475

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 2019	March 2018
	£000	£000
Staff costs (for the above persons):		
Wages and salaries	12,069	11,274
Social security costs	877	844
Pension costs (Note 9)	857	720
Termination payments	172	76
Termination pension payments	5	40
	13,980	12,954

8. Emoluments of officers and senior executives

Group and Association	March 2019	March 2018
	£000	£000
The emoluments exclude contributions to pension schemes:		
Remuneration of highest paid director (Chief Executive)	134	195
Aggregate remuneration of Senior Executives	327	284
Aggregate remuneration of Board Members	17	0
	478	479
Pension contributions paid on their behalf		
Chief Executive's pension contributions	28	80
Senior Executives' pension contributions	102	96
	130	176

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

8. (Cont.) Emoluments of officers and senior executives

Linc considers that the Key management personnel as defined under FRS102 are consistent with the officers and senior executives of the organisation. The Employer's National Insurance paid in the year in relation to the Key management personnel totals £57,025 (2018: £58,509).

The Remuneration of the highest paid director for 2018 includes a settlement agreement payment on retirement of £67,024 and a settlement payment of £39,988 that is included within the Chief Executive pension contribution.

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

Group and Association	March 2019	March 2018
	No. of staff	No. of staff
Between £85,001 and £90,000	1	1
Between £90,001 and £95,000	2	1
Between £95,001 and £100,000	0	1
Between £100,001 and £105,000	1	0
Between £115,001 and £120,000	0	1
Between £130,001 and £135,000	1	0
	5	4

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.

9. Pensions

The Association operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Association in an independently administered fund. The pension charge represents contributions payable by the Association to the fund and amounted to £862,000 (2018: £760,000).

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

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

10. 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	262,191	3,377	18,451	2,792	19,648	306,459
Schemes completed	15,970	0	0	0	(15,970)	0
Additions	243	0	214	0	29,224	29,681
Works to existing properties	2,107	0	0	0	0	2,107
Disposals	(1,409)	(82)	0	0	0	(1,491)
At 31st March 2019	279,102	3,295	18,665	2,792	32,902	336,756
Depreciation & Impairment						
At beginning of year	37,544	307	1,919	418	1,372	41,560
Charge for the year	3,358	14	347	37	0	3,756
Schemes completed	622	0	0	0	(622)	0
Disposals	(612)	(7)	0	0	0	(619)
At 31st March 2019	40,912	314	2,266	455	750	44,697
Net book value						
At 31st March 2019	238,190	2,981	16,399	2,337	32,152	292,059
At beginning of year	224,647	3,070	16,532	2,374	18,276	264,899
					March 2019 £000	March 2018 £000
Housing properties comprise:						
Freeholds					290,554	263,549
Leaseholds					1,505	1,350
					292,059	264,899

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

10. (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	262,428	3,377	18,500	2,792	19,749	306,846
Schemes completed	16,026	0	0	0	(16,026)	0
Additions	243	0	214	0	29,428	29,885
Works to existing properties	2,107	0	0	0	0	2,107
Disposals	(1,409)	(82)	0	0	0	(1,491)
At 31st March 2019	279,395	3,295	18,714	2,792	33,151	337,347
Depreciation & Impairment						
At beginning of year	37,553	307	1,923	418	1,372	41,573
Charge for the year	3,364	14	348	37	0	3,763
Schemes completed	622	0	0	0	(622)	0
Disposals	(612)	(7)	0	0	0	(619)
At 31st March 2019	40,927	314	2,271	455	750	44,717
Net book value						
At 31st March 2019	238,468	2,981	16,443	2,337	32,401	292,630
At beginning of year	224,875	3,070	16,577	2,374	18,377	265,273

	March 2019 £000	March 2018 £000
Housing properties comprise		
Freeholds	291,125	263,923
Leaseholds	1,505	1,350
	292,630	265,273

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

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

Group and Association	March	March
Expenditure on works to existing properties:	2019	2018
	£000	£000
Improvement works capitalised	0	0
Components capitalised	2,107	1,106
Amounts charged to income and expenditure	8,576	8,777
	10,683	9,883
Social housing assistance		
Total accumulated social housing grant received or receivable at 31st March:		
Capital Grant	16,006	8,684
Revenue Grant	792	816
	16,798	9,500

Finance costs:

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

Impairment:

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

During the year to 31st March 2019 Linc has assessed that there is no impairment to recognise (2018, NIL).

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

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

11. Fixed assets - other

Group and Association	Office premises £000	Furniture and equipment £000	Computer equipment £000	Motor Vehicles £000	March 2019 £000
Cost					
At beginning of year	2,783	2,608	1,453	50	6,894
Additions	17	101	61	17	196
Disposals	0	(54)	0	0	(54)
At 31st March 2019	2,800	2,655	1,514	67	7,036
Depreciation					
At beginning of year	1,535	1,722	1,129	32	4,418
Charge for the year	134	225	133	7	499
Disposals	0	(23)	(0)	0	(23)
At 31st March 2019	1,669	1,924	1,262	39	4,894
Net Book Value					
At 31st March 2019	1,131	731	252	28	2,142
At beginning of year	1,248	886	324	18	2,476

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

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

Group and Association	March 2019 £000	March 2018 £000
At beginning of the year	10,205	9,855
Additions	0	0
Disposals	0	0
Increase in value	455	350
At 31st March 2019	10,660	10,205

13. Homebuy loans receivable

Group and Association	March 2019 £000	March 2018 £000
At beginning of the year	769	860
New loans issued	0	0
Interest receivable	0	0
Loans repaid	(108)	(91)
Loans provided against	0	0
At 31st March 2019	661	769

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

14. Investment in subsidiaries

Subsidiary undertakings

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

Company	Investments in subsidiary companies
Cost or valuation at 1st April 2018 and 31st March 2019	£ 1
Net book value at 31st March 2019	1
Net book value at 31st March 2018	1

Description

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

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

Operating lease payments amounting to £94,607 (2018: £99,273) are due within one year. The leases to which these relate expire as follows:

Group and Association

	March 2019 £000	March 2018 £000
Operating leases which expire:		
Within 1 year	44	44
Within 1 to 2 years	42	44
Within 2 to 5 years	9	11
At 31st March 2019	95	99

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

16. Trade and other debtors

	Group March 2019 £000	Group March 2018 £000	Association March 2019 £000	Association March 2018 £000
Arrears of rent and service charges	1,119	1,079	1,119	1,079
Less: Provision for bad and doubtful debts	(994)	(767)	(994)	(767)
	125	312	125	312
Other grants and loans receivable	236	312	236	312
Cash in transit	584	506	584	506
Insurance prepayment	287	227	287	227
Sales ledger	1,273	815	1,273	815
Amounts owed by group companies	0	0	644	671
Housing Finance Grant	3,722	2,705	3,722	2,705
Social Housing Grant in Transit	1,357	2,397	1,357	2,397
Other debtors and prepayments	983	798	427	458
	8,567	8,072	8,655	8,403

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.

17. Cash and cash equivalents

	Group March 2019 £000	Group March 2018 £000	Association March 2019 £000	Association March 2018 £000
Cash at bank and in hand	39,570	18,176	39,503	18,067
Bank Overdraft	0	0	0	0
	39,570	18,176	39,503	18,067

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

18. Creditors: amounts falling due within one year

	Group	Group	Association	Association
	March	March	March	March
	2019	2018	2019	2018
	£000	£000	£000	£000
Prepayments of rents and service charges	1,339	1,231	1,339	1,231
Housing loan principal instalments	9,333	17,399	9,333	17,399
Housing loan interest instalments	890	327	890	327
PAYE/National Insurance	253	261	253	261
Pension	78	8	78	8
Due to Customs and Excise - VAT	71	49	71	49
Income in advance	81	111	81	111
Cyclical maintenance	72	183	72	183
Payments to contractors	92	901	92	0
Planned repairs	257	463	257	463
Reactive maintenance	306	195	306	195
Service charge costs	204	287	204	287
Purchase ledger	215	369	215	369
Amounts owed to group companies	0	0	1,398	1,132
Other creditors and accruals	2,748	1,563	1,378	1,562
	15,939	23,347	15,967	23,577

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

Group and Association	March	March
	2019	2018
	£000	£000
Housing loans	129,847	91,053
Social Housing Grant (note 21)	152,450	138,535
Home Ownership Grants (note 22)	149	197
Recycled capital grant fund (note 23)	4,245	3,540
Disposal proceeds fund (note 24)	851	671
	287,542	233,996
	March	March
	2019	2018
	£000	£000
Housing loans are secured by fixed charges on housing properties and are repayable in instalments as follows:		
One year or less	9,333	17,399
Between one and two years	8,386	5,049
Between two and five years	26,717	14,909
In five years or more	94,744	71,095
	139,180	108,452

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

19. (cont.) Creditors: amounts falling due after more than one year

The interest rates are fixed at between 2.0% and 12.19% or vary with the market rate. The loans are repayable in the years 2019 to 2043. During 2016/17 a concessionary interest free loan of £494,022 was received from the Welsh Government and this loan was repaid in June 2019. During 2018/19 concessionary interest free loans of £2,863,317 were received from the Welsh Government under the land for housing loan scheme. These loans are repayable at the earliest of practical completion of the last property developed or the fifth anniversary of the land purchase.

20. Commitments under finance leases

Neither Linc or Tarbed Limited had any commitments under finance leases at 31st March 2019 or at 31st March 2018.

21. Deferred income - social housing grants

Group and Association	Social Housing Properties	Shared Ownership	Properties Under Construction	Total
	£000	£000	£000	£000
Cost				
At beginning of year	146,858	2,118	12,873	161,849
Schemes completed	5,806	0	(5,806)	0
Additions	0	0	16,006	16,006
Disposals	(722)	(41)	0	(763)
At 31st March 2019	151,942	2,077	23,073	177,092
Amortisation				
At beginning of year	22,985	329	0	23,314
Charge for the year	1,458	14	0	1,472
Disposals	(136)	(8)	0	(144)
At 31st March 2019	24,307	335	0	24,642
Net book value				
At 31st March 2019	127,635	1,742	23,073	152,450
At beginning of year	123,873	1,789	12,873	138,535

The grants are amortised as follows:

	March 2019	March 2018
	£000	£000
Amounts falling due:		
One year or less	1,472	1,474
Between one and two years	1,472	1,474
Between two and five years	5,888	4,422
In five years or more	143,618	131,165
	152,450	138,535

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

22. Deferred income - home buy grants

Group and Association	March 2019 £000	March 2018 £000
At beginning of year	197	287
Grants received in the year	0	0
Disposals	(48)	(90)
At 31st March 2019	149	197

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 2019 the value of these grants amounted to £148,806 (31st March 2018: £197,112).

23. Recycled capital grant fund

Group and Association	March 2019 £000	March 2018 £000
At beginning of year	3,540	3,673
Grants recycled	754	360
Withdrawals	(49)	(493)
At 31st March 2019	4,245	3,540

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

24. Disposal proceeds fund

Group and Association	March 2019 £000	March 2018 £000
At beginning of year	671	407
Grants recycled	180	264
Withdrawals	0	0
At 31st March 2019	851	671

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 2019 (continued)

25. Financial instruments

Linc-Cymru Housing Association Limited 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.

	Group March 2019 £000	Group March 2018 £000	Association March 2019 £000	Association March 2018 £000
Financial assets measured at amortised cost comprise of the debtors as detailed in Note 16 (excluding prepayments), cash and home buy loans (Note 13)	48,511	26,789	48,533	27,012
Financial liabilities measured at amortised cost comprise creditors included in Notes 18 and 19 (excluding VAT, PAYE, NI and income in advance)	301,737	255,691	301,765	255,921

26. Share capital

Group and Association

	March 2019 £	March 2018 £
Shares of £1 each fully paid		
At beginning of year	26	26
Issued during the period for cash	5	1
Cancelled during the period	(5)	(1)
At 31st March 2019	26	26

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.

27. Capital funding and commitments

Group and Association

	March 2019 £000	March 2018 £000
Expenditure contracted for but not provided in the accounts	29,590	11,940
Expenditure authorised by the Board, but not contracted	30,530	54,030
	60,120	65,970

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

Linc-Cymru Housing Association Limited
Notes to the Financial Statements
For the year ended 31st March 2019 (continued)

28. Homes and properties in management

Group and Association

	March 2019	Movement	March 2018
Social housing			
General Needs	2,893	34	2,859
Extra Care	337	25	312
Sheltered	351	0	351
Supported	149	(5)	154
Intermediate Rent	220	18	202
Shared Ownership	144	(4)	148
Home Buy Option	90	(5)	95
Sub-Total Social Housing	4,184	63	4,121
Non-social housing			
Care Home	210	(1)	211
Market Rent	86	0	86
Retail	9	0	9
Total in management	4,489	62	4,427

29. 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.

30. 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

During the year, Mr Brian Thomas, a tenant of Linc served as a Board Member. Mr Thomas rents his property from the Association on the same terms as other tenants. The Board is not aware of any other transactions with related parties, which need to be disclosed in the financial statements.

	Rent Charged for the year	Rent prepaid at 31st March 2019
Mr B Thomas	£7,677	£1,542

Linc-Cymru Housing Association Limited

Notes to the Financial Statements

For the year ended 31st March 2019 (continued)

30. (Cont.) Related party transactions

Employee loans

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

Nicola Smith, Executive Director Linc Homes, loan outstanding at 31st March 2019 £NIL (2018: £12,030), the loan term is 36 months.

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

Transactions with close family members of Key Management Personnel

In total, the amount remunerated to close family members of the key management personnel was £135,080 (2018: £60,823).

In 2018 a close family member of the key management personnel rented a market rent property in Cardiff from the Association at the full market rent. The total charged for 2018 amounted to £8,100 (2019 £Nil).

Analysis of Subsidiary undertakings

Linc has one directly owned 100% subsidiary undertaking, Tarbed Limited (Registered number: 06995481).

During the year, Tarbed generated turnover in respect of construction management services under design and build contracts on behalf of Linc of £20,723,921 (2018: £9,431,712). At the year-end £1,397,951 (2018: £1,131,878) was due from Linc to Tarbed in relation to these contracts.

During the year, Linc charged Tarbed £794,752 (2018: £561,750) in respect of administration and project management services. At the year-end £175,678 (2018: £302,716) was outstanding. Linc was due £188,902 (2018: £81,551) in respect of Gift Aid and the year end.

Linc has made a loan of £280,000 (2018: £280,000) to provide working capital in relation to its design and build contracts. The loan is based on commercial terms with interest charged at 2% above the Bank of England Base Rate.

31. Contingent liabilities

There were no contingent liabilities at 31st March 2019, or at the 5th September 2019, the date the financial statements were approved by the Board of Management.

Linc-Cymru Housing Association Limited

Operating and Financial Review 7 Year Summary

For the year ended 31st March 2019

The following page does not form part of the statutory financial statements which are the subject of the independent auditors' report on pages 27-28.

For the year ended 31st March	2019	2018	2017	2016	2015 Restated*	2014	2013
Statement of Comprehensive Income (£'000)							
Total turnover	38,100	37,437	33,152	30,834	28,310	25,113	22,948
Income from Lettings	26,457	25,803	25,149	24,381	23,254	21,020	20,120
Operating surplus	6,412	6,615	8,147	7,579	6,238	5,828	5,985
Gain/(deficit) on disposal of Property, Plant and Equipment (fixed assets)	316	86	65	157	84	(119)	(169)
Maintenance expenditure**	7,829	7,961	6,340	5,644	5,623	5,488	4,588
Interest and financing costs	4,395	4,994	4,196	4,155	4,424	4,364	4,152
Surplus on Property Revenue Account	2,017	1,621	3,951	3,424	1,814	1,464	1,833
Surplus for the year	3,122	2,207	4,794	3,923	2,118	1,532	1,760
Statement of Financial Position (£000)							
Total fixed assets	306,093	278,723	266,221	260,037	256,558	261,249	256,732
SHG	(152,450)	(138,535)	(131,611)	(129,348)	(130,458)	(150,021)	(146,554)
Tangible fixed assets net of capital grants and depreciation	153,643	140,188	134,610	130,689	126,100	111,228	110,178
Net current assets / (liabilities)	32,191	2,893	13,464	7,355	11,387	21,401	8,687
Borrowings - Housing Loans	139,179	108,452	102,664	97,739	101,966	104,135	91,417
Reserves							
: designated	2,281	2,239	2,174	2,002	1,965	1,711	1,406
: revenue	48,461	45,381	43,239	38,617	34,731	28,816	27,589
: total	50,742	47,620	45,413	40,619	36,696	30,527	28,995
Accommodation figures							
Total housing stock owned at year end (number of dwellings):							
Housing	4,279	4,216	4,222	4,182	4,077	4,063	4,057
Nursing Home	210	211	147	147	147	102	72
Total	4,489	4,427	4,369	4,329	4,224	4,165	4,129
Statistics							
Surplus for the year as a percentage of turnover	8.2%	5.9%	14.4%	12.7%	7.5%	6.1%	7.7%
Surplus for the year (excluding gain/(deficit) on disposal of Property, Plant and Equipment and excluding the revaluation surplus on investment properties) as a percentage of turnover	6.2%	4.7%	12.31%	11.6%	7.2%	6.5%	8.4%
Rent losses (voids and bad debts as percentage of rent and service charges receivable)	2.0%	1.5%	1.0%	0.7%	0.9%	1.4%	1.3%

Linc-Cymru Housing Association Limited
Operating and Financial Review 7 Year Summary
For the year ended 31st March 2019

For the year ended 31st March	2019	2018	2017	2016	2015 Restated*	2014	2013
Rent arrears (gross arrears as a percentage of rent, service charges and care home fees receivable)	3.2%	3.2%	3.4%	4.8%	4.8%	4.4%	4.0%
Borrowing costs as a percentage of turnover	11.5%	13.3%	12.7%	13.5%	15.6%	17.4%	18.1%
Revenue maintenance costs as a percentage of turnover**	20.6%	21.3%	19.1%	18.3%	19.9%	21.9%	20.0%
Interest cover (surplus before interest payable divided by interest payable and capitalised interest)	1.7	1.4	2.1	1.9	1.5	1.3	1.4
Liquidity (current assets divided by current liabilities)	3.0	1.1	2.5	2.0	2.5	4.0	2.4
Total reserves per unit (£)	£11,326	£10,778	£10,415	£9,402	£8,687	£7,329	£7,022

*The financial statements for the year ended 31st March 2016 and onwards 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.

