

LINK GROUP LIMITED



REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2005

Company No: 1481R(S)
Charity No: SC001026
Communities Scotland No: HAL 148

LINK GROUP LIMITED

REPORTS AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

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LINK GROUP LIMITED

BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS

BOARD OF MANAGEMENT

D J A Sievwright (Chairman)
P Stephen-Samuels (Vice-Chairman)
J Christie (Appointed May 2005)
T H Clark
M E Ewing
P D Foreman
M C Grant
W Hayhurst (Appointed May 2005)

J M Hinton
S G Leask
H A Livingstone (Resigned December 2004)
C M J Macneill
D C McKay (Resigned August 2004)
J O'Neill (Appointed August 2004)
M R Sibbald
A Young (Resigned June 2004)

CHIEF EXECUTIVE AND DIRECTORS

Chief Executive
Director of Finance and Corporate Services/Secretary
Director of Property Services
Director of Customer Services
Director of Housing Support Services
Director of Community Regeneration

C Sanderson, B Com
J N Hall, FCCA
R C Hamilton, FRICS
M B Middleton
E Johnston BSc, Soc, Dip Mgt
B Higgins, FCIH, MBA, BA

AUDITORS

Grant Thornton UK LLP

BANKERS

Bank of Scotland

SOLICITORS

Burness Solicitors

FUNDERS

Royal Bank of Scotland plc

Abbey National Treasury Services plc

Lloyds TSB Scotland plc

REGISTERED OFFICE

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LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the Group accounts for the year ended 31 March 2005.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Financial and Operating Performance

Link Group Limited (“Link” or the “Association”) achieved a surplus for the year of £0.9M (2004 £1.8M). This decrease in the surplus for the year was due partly to more expenditure in the year on Planned Maintenance and a reduced Gain on Disposal of Housing Properties. (In 2004 Link disposed of a number of properties which were no longer required for the provision of shared accommodation)

Both Turnover and Operating Costs increased by approximately 3% and 8% to £14m and £10.9m, respectively, resulting in a decrease in the Operating Surplus from £3.1M to £2.6M. Included in Operating Costs is the expenditure on Planned and Cyclical Maintenance and Major Repairs, which increased from £3.4M in 2004 to £3.8M in 2005.

The amount invested in Planned and Cyclical Maintenance and Major Repairs is derived from a 30-year investment model designed to ensure all Link’s properties are maintained to a specific standard, thereby continuing to extend the useful life of the properties. The investment model takes account of the life cycles of individual components and generates an annual spend profile across all of Link’s stock. In any year, as a result of timing differences, Link may spend more or less than the required investment. This creates a transfer to or from the Designated Reserve for Future Maintenance to ensure that the funds are available to carry out the necessary works. In 2004 Link transferred £0.6M to the Designated Reserve and in 2005 a further £0.1M was transferred. The transfer in 2005 was lower as a result of the increased expenditure incurred during the year.

Link’s overall retained surplus for the year decreased from £1.2M in 2004 to £0.8M in 2005. This is principally as a result of the lower level of Gains on Disposal of Housing Properties in 2005 compared to 2004. Despite the Planned Maintenance investment in its stock Link is required by the Statement of Recommended Practice to depreciate its Housing Properties and the Retained Surpluses are calculated after providing for Depreciation of £1.2M in 2005 and £1.1M in 2004.

Link has a strong balance sheet, which places it in a favourable position to invest in its housing stock. Over the next few years Link will invest approximately £12m in the re-development of housing properties as part of a major regeneration programme.

At 31 March 2005 Link’s total reserves amounted to £28.6M, an increase of £0.5M from 2004. In addition to providing funds for re-development, these reserves are required to support the planned maintenance investment programme and provide a hedge against risk. Included in the £28.6M of total reserves, the Designated Reserve for Future Maintenance amounted to £16M (2004 £16M).

During the year Link invested £13.4M in new properties for rent and sale on a shared ownership basis across the central belt of Scotland. This expenditure was partly financed by Housing Association Grant of £7.3M with the balance funded by loans drawn under the £50m syndicated loan facility.

Link has a continuing, substantial investment programme. In addition to the £12m earmarked for re-development and an average annual spend of £3.5m on planned maintenance, Link will build and refurbish 657 properties over the 5 year business plan period 2005/06 to 2009/10. Included in the 657 properties is the refurbishment of 92 properties in Craigmillar, Edinburgh, which were transferred from the City of Edinburgh Council following a successful ballot of tenants. (38 properties were refurbished during 2004/05) The planned re-development, new build and refurbishment programme requires a capital investment of £41.5M, funded by a mix of grants and loans and from internal resources.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (Continued)

The consolidated results of the group reflect the results of the subsidiary companies and the total retained surplus of the group amounted to £0.9M (2004 £1.5M). The positive contribution by the subsidiaries is welcomed by the Board.

Group Structure

Link Group Ltd is the parent company to eight subsidiaries. The results of the subsidiaries are included in these accounts and reflected in the Consolidated Income and Expenditure account and Consolidated Balance Sheet. The purpose and constitution of the subsidiaries is dealt with in a note to the accounts.

Each member of the group is a wholly owned subsidiary of Link Group Ltd. The Board and Committee Members of subsidiary companies are appointed by Link Group Ltd on the recommendation of the subsidiary company's Board or Committee. The Chairperson of each is a member of the Link Group Ltd Board and some Group Board members are also members of the Boards or Committees of the subsidiary companies, although in no case does the majority membership on these Boards/Committees consist of Link Group Ltd Board Members.

Each subsidiary has entered into an Independence Agreement with Link Group Ltd. This document preserves the independence of the subsidiaries and sets out the respective responsibilities of the subsidiary and the parent. The Independence Agreement confirms the process and procedures each party will conform to and the basis upon which services will be provided between parties.

During the year Link reviewed its operational structure and decided to streamline the number of subsidiaries on the grounds of efficiency and also to enable a more holistic approach to be taken.

The Board has agreed that the Community Regeneration and Development Administration functions will operate together as a Regeneration and Development subsidiary responsible for all development activity on behalf of the group. This new subsidiary will incorporate the functions of Link Homes (2001) Ltd, Linkwide and Link Property. The implementation of the structure is planned to take place during 2005/06.

Board and Directors

The Board consists of up to 15 members elected at the Annual General Meeting. Board members serve on various committees (as described in the Statement of Corporate Governance) set up to manage the Association. Current membership of the Board is set out on page 1. Board membership at March 2005 stood at eleven members. Each Board Member holds one fully paid share of £1 in the Association. The Directors of the Association (who are staff members) have no beneficial interest in the Association's share capital and they act within the authority delegated by the Board of Management.

Employee Involvement

Link group employed, on average, 309 staff (Link Group Ltd 52 staff), during the year, most of whom are full time and based at offices in Edinburgh, Falkirk, Paisley, Cumbernauld and Kirkcaldy. The Training and Development Plan ensures a high level of continuous training for staff ensuring they have the skills to carry out their jobs in a changing environment.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as Auditors of the association will be proposed at the Annual General Meeting to be held on 23 August 2005.

BY ORDER OF THE BOARD

J N Hall, FCCA
Secretary
2 August 2005

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS

Internal Financial Control

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

Management Structure

The Group, for which the Board has overall responsibility, is governed by a set of Standing Orders, which reserves specific powers to the Board and delegates functions and powers to its Sub-Committees.

Procedures Manuals

Responsibility levels are set out for the Group in detailed procedures manuals. These procedures manuals and the Central Policy File communicate the general ethos of the Group, delegation of authority and authorisation levels, segregation of duties and other control procedures together with accounting policies and procedures. The manuals are updated regularly.

Quality and Integrity of Personnel

The integrity and competence of personnel is ensured and maintained through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are embodied within the ethos of the Group and in the Staff Code of Conduct.

Identification of Business Risks

The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks. Major business risks and their financial implications are assessed by reference to established criteria.

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

Management Information Systems

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

Internal Control Systems

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

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (Continued)

Internal Audit

Internal Audit services are provided by a firm of experienced chartered accountants. The audit workplan is generated from a detailed Audit Needs Assessment which is based upon a systematic risk assessment of Link's operations and activities. The Internal Auditors report to the Chief Executive and to the Audit Committee.

Risk and Compliance

Link has a full-time Risk and Compliance Manager whose principal functions are management of risk and to undertake a programme of compliance reviews. These reviews complement, but are in addition to, the work carried out by the Internal Auditors.

Project Risk Assessment Committee

The Project Risk Assessment Committee has three members and its role is to oversee a detailed risk assessment of Development projects and advise the Board of the risks (short, medium and long-term) associated with proposed projects. Capital expenditure is also regulated by a budgetary process and detailed authorisation levels in respect of each project. For expenditure beyond specified levels, detailed proposals have to be submitted to the Board. Reviews are carried out during the development period to monitor expenditure and performance.

Audit Committee

The Audit Committee has four members and monitors the controls which are in force and any perceived gaps in the control environment. This is achieved through reports to the Committee from the Internal Auditors and the Risk and Compliance Manager. The Audit Committee also considers and determines relevant action in respect of any control issues raised by the internal or external auditors.

Health & Safety

The directors are committed to the provision of a healthy and safe working environment. Management will endeavour to eliminate hazards where recognisable, including the risk of fire, security losses, damage to plant, property and the environment, thus significantly reducing the risk of personal injury or occupational ill health to all personnel. The Health & Safety Committee oversee Link's risk assessment programme and regularly review the policy.

Remuneration Committee

The Remuneration Committee has four members and monitors, and sets the salaries of, the Chief Executive and the Directors.

Statement

The Board has reviewed the effectiveness of the system of internal financial controls which has been operating during the year and beyond. No weaknesses have been found which resulted in material losses, contingencies or uncertainties that require disclosure.

LINK GROUP LIMITED

STATEMENT OF RESPONSIBILITIES OF THE BOARD OF MANAGEMENT IN RESPECT OF THE GROUP ACCOUNTS

Legislation requires the Board of Management to prepare group accounts for each financial year which give a true and fair view of the state of affairs of the Association and the Group and of the income and expenditure of the Association and the Group for that period. In preparing those accounts, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Group's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Group's books of account and transactions. The Board is also responsible for ensuring that arrangements are made to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LINK GROUP LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LINK GROUP LIMITED A HOUSING ASSOCIATION REGISTERED UNDER SECTION 57 OF THE HOUSING (SCOTLAND) ACT 2001

We have audited the financial statements of Link Group Limited, (the Association), and the consolidated financial statements of the Association and its subsidiaries for the period ended 31 March 2005 which comprise the income and expenditure accounts, the balance sheets, cash flow statements and notes 1 to 30. These financial statements have been prepared under the historical cost convention and on the basis of the accounting policies set out therein.

This report is made solely to the association's members, as a body. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and Auditors

The Board of Management is responsible for preparing the Board of Management report and the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. We also report to you if, in our opinion, the Board of Management report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Board member's remuneration and transactions with the Association is not disclosed.

We read other information contained in the Board of Management report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Association's affairs and that of the Group as at 31 March 2005 and of the results of the Association and the Group for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999.

LINK GROUP LIMITED

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LINK GROUP LIMITED
A HOUSING ASSOCIATION REGISTERED UNDER SECTION 57 OF THE HOUSING (SCOTLAND)
ACT 2001 (continued)**

Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 4 to 5 on the Association's compliance with the guidance given in Raising Standards in Housing published by the Scottish Federation of Housing Associations.

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Association's system of internal financial control or its corporate governance procedures.

Opinion

With respect of the Board's statement on internal financial control on pages 4 to 5, in our opinion the Board has provided the disclosures required by Raising Standards in Housing and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

EDINBURGH

2 August 2005

LINK GROUP LIMITED

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2005**

	Notes	2005 £'000	2004 £'000
Turnover	3a		<u>17,975</u>
Less:			
Operating Costs	3a	(15,846)	(14,424)
Cost of Sales	3a	<u>(1,754)</u>	<u>(309)</u>
Operating Surplus	3a		<u>3,242</u>
Interest receivable	3a	292	376
Interest payable	3a & 7	(2,292)	(2,227)
Gain on Disposal of Housing Properties	3a	<u>381</u>	<u>707</u>
Surplus for the year before taxation	3a	967	2,098
Corporation Tax	11	<u>-</u>	<u>(3)</u>
Surplus for the year after taxation		967	2,095
Transfers to designated reserve	21	<u>(96)</u>	<u>(618)</u>
Retained surplus for the financial year		871	1,477
Revenue reserve brought forward		<u>6,029</u>	<u>4,552</u>
Revenue reserve carried forward		<u>6,900</u>	<u>6,029</u>

There are no other recognised surpluses or deficits other than those included in the above Income and Expenditure Account. The results for the year relate wholly to continuing activities.

The notes on pages 15 to 38 form part of these accounts.

LINK GROUP LIMITED**LINK GROUP LIMITED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2005**

	Notes	2005 £'000	2004 £'000
Turnover	3b	14,355	13,973
Less: Operating Costs	3b	<u>(11,785)</u>	<u>(10,920)</u>
Operating Surplus	3b	<u>2,570</u>	<u>3,053</u>
Interest receivable	3b	285	370
Interest payable	3b & 7	(2,292)	(2,227)
Gain/(Loss) on Disposal of Housing Properties	3b	<u>337</u>	<u>634</u>
Surplus for the year		900	1,830
Transfers to designated reserve	21	(96)	(618)
Retained surplus for the financial year		804	1,212
Revenue reserve brought forward		<u>5,764</u>	<u>4,552</u>
Revenue reserve carried forward		<u><u>6,568</u></u>	<u><u>5,764</u></u>

There are no other recognised surpluses or deficits other than those included in the above Income and Expenditure Account. The results for the year relate wholly to continuing activities.

The notes on pages 15 to 38 form part of these accounts.

LINK GROUP LIMITED**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005**

	Notes	2005 £'000	2004 £'000
Tangible Fixed Assets			
Housing Properties - Depreciated Cost	13a	216,083	207,306
Less: Social Housing Grants	13a	(153,578)	(147,890)
Other Public Grants	13a	<u>(2,333)</u>	<u>(2,299)</u>
		60,172	57,117
Other Fixed Assets	14a	1,732	1,554
Investments	15	-	-
		<u>61,904</u>	<u>58,671</u>
Current Assets			
Work in Progress	16	1,644	914
Debtors	17	4,297	3,026
Cash at bank and in hand		<u>4,888</u>	<u>10,409</u>
		10,829	14,349
Creditors: amounts falling due within one year	18	<u>(5,755)</u>	<u>(4,608)</u>
Net Current Assets		<u>5,074</u>	<u>9,741</u>
Total Assets Less Current Liabilities		66,978	68,412
Creditors: amounts falling due after more than one year	19	<u>(38,000)</u>	<u>(40,000)</u>
Net Assets		<u>28,978</u>	<u>28,412</u>
Capital and Reserves			
Share Capital	20	-	-
Designated Reserve	21	16,056	15,960
Negative Goodwill	22	6,022	6,423
Revenue Reserve		<u>6,900</u>	<u>6,029</u>
		<u>28,978</u>	<u>28,412</u>

Approved by the Board of Management on 2 August 2005 and signed on its behalf by:-

D J A Sievwright, Chairman

P Stephen-Samuels, Vice-Chairman

J N Hall, Secretary

The notes on pages 15 to 38 form part of these accounts.

LINK GROUP LIMITED**LINK GROUP LIMITED BALANCE SHEET AS AT 31 MARCH 2005**

	Notes	2005 £'000	2004 £'000
Tangible Fixed Assets			
Housing Properties - Depreciated Cost	13b	216,083	207,306
Less: Social Housing Grants	13b	(153,578)	(147,890)
Other Public Grants	13b	<u>(2,333)</u>	<u>(2,299)</u>
		60,172	57,117
Other Fixed Assets	14b	1,662	1,554
Investments	15	<u>100</u>	<u>100</u>
		<u>61,934</u>	<u>58,771</u>
Current Assets			
Debtors	17	5,324	3,393
Cash at bank and in hand		<u>3,964</u>	<u>9,684</u>
		9,288	13,077
Creditors: amounts falling due within one year	18	<u>(4,576)</u>	<u>(3,701)</u>
Net Current Assets		<u>4,712</u>	<u>9,376</u>
Total Assets Less Current Liabilities		66,646	68,147
Creditors: amounts falling due after more than one year	19	<u>(38,000)</u>	<u>(40,000)</u>
Net Assets		<u><u>28,646</u></u>	<u><u>28,147</u></u>
Capital and Reserves			
Share Capital	20	-	-
Designated Reserve	21	16,056	15,960
Negative Goodwill	22	6,022	6,423
Revenue Reserve		<u>6,568</u>	<u>5,764</u>
		<u><u>28,646</u></u>	<u><u>28,147</u></u>

Approved by the Board of Management 2 August 2005 and signed on its behalf by:-

D J A Sievwright, Chairman

P Stephen-Samuels, Vice-Chairman

J N Hall, Secretary

The notes on pages 15 to 38 form part of these accounts

LINK GROUP LIMITED**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	26	4,668	3,917
Returns on investments and servicing of finance	27a	(1,982)	(1,869)
Taxation		1	(5)
Capital expenditure	27b	(6,208)	(3,998)
Transfer of engagements	27c	-	-
		<hr/>	<hr/>
Cash outflow before use of liquid resources and financing		(3,521)	(1,955)
Management of Liquid Resources		6,000	(1,000)
Financing	27d	<hr/> (2,000)	<hr/> -
Increase / (Decrease) in cash		<hr/> <hr/> 479	<hr/> <hr/> (2,955)

LINK GROUP LIMITED**LINK GROUP LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005**

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	26	4,466	4,165
Returns on investments and servicing of finance	27a	(1,990)	(1,876)
Taxation		-	-
Capital expenditure	27b	(6,196)	(4,033)
Transfer of engagements	27c	-	-
		<hr/>	<hr/>
Cash outflow before use of liquid resources and financing		(3,720)	(1,744)
Management of liquid resources		6,000	(1,000)
Financing	27d	<hr/> (2,000)	<hr/> -
Increase / (Decrease) in cash		<hr/> <hr/> 280	<hr/> <hr/> (2,744)

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

1. ACCOUNTING POLICIES

(a) Introduction and accounting basis

Link Group Limited is incorporated under the Industrial and Provident Societies Acts and is a housing association registered with Communities Scotland under the Housing (Scotland) Act 2001.

The accounts are prepared under the historical cost convention, in accordance with applicable accounting standards and comply with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999 and the Statement of Recommended Practice (SORP): Accounting by Registered Housing Associations.

(b) Basis of Consolidation

The group financial statements consolidate those of Link Group Limited and of its subsidiary undertakings drawn up to 31 March 2005. Profits or losses on intra-group transaction are eliminated in full.

(c) Investments

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

(d) Tangible Fixed Assets - housing land and buildings

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

Shared ownership properties are included in housing land and buildings and the proceeds of sale of the initial tranches sold are credited against the carrying amount in respect of shared ownership projects. Subsequent tranche sales are accounted for as disposals through the Income and Expenditure Account.

(e) Grants

Capital Grants

Housing Association Grant (HAG) is paid by Communities Scotland to Registered Social Landlords and is utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by Communities Scotland. HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Other capital grants are shown, as is HAG, on the face of the balance sheet as the cumulative gross amount received and as a deduction from the fixed assets to which they relate.

Revenue Grants

Grants received for development for sale projects are credited against stocks or work in progress and therefore cost of sales is stated net of grants received. Other revenue grants are credited to the Income and Expenditure Account in the period when the costs to which they relate are incurred.

(f) Mortgages

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

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)

1. ACCOUNTING POLICIES (continued)

(g) Depreciation

Housing land and buildings

Depreciation is provided on all of the Group's properties and has been calculated on a straight line basis over the expected useful life of the properties, which the Association has assessed as an average of 50 years. The amount to be depreciated is the historical cost of construction or acquisition, net of any grants and net of the residual value, which is deemed to be the historical cost of the land, net of attributable grants.

Other fixed assets

Expenditure incurred on the Group's offices is written off over 50 years. Improvements to offices leased by the Association are capitalised and depreciated over the term of lease. Furniture, fittings and equipment are depreciated at 15% per annum on cost. Motor vehicles are depreciated at 25% per annum of net book value. Computer equipment is depreciated at 33.3% per annum on cost.

Expenditure incurred on Linkwide Trading (West) Limited's motor vehicles are depreciated at 33.33% per annum on a reducing balance method. Plant & Equipment is depreciated at 25% per annum on a straight line basis.

(h) Work In Progress

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

(i) Designated Future Maintenance Reserves

The reserve exists to fund future planned and cyclical maintenance and major repairs to the Group's housing stock, the cost of which will not be funded by grant. The Group has a policy of maintaining its housing stock to a high standard and the transfer to the reserve has been determined in accordance with a comprehensive planned maintenance programme. Actual costs incurred are charged in the Income and Expenditure Account. Transfers from the reserve to the Income and Expenditure Account are made to cover the annual expenditure incurred.

(j) Negative Goodwill

Negative goodwill arising on any transfer of engagements represents the excess of the fair value of assets and liabilities acquired over the consideration paid.

In accordance with the SORP and FRS 10, the negative goodwill is amortised to the Income and Expenditure account over 20 years from the date of acquisition.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (continued)

1. ACCOUNTING POLICIES (continued)

(k) Apportionment of Management Expenses

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

(l) Pension Costs

The Association participates in two pension schemes, a defined benefits benefit scheme and a group personal pension scheme. The Association's contributions for 2004/2005 under the schemes have been fully charged to the Income and Expenditure Account.

Defined Contribution Schemes

The pension costs charged to the Income and Expenditure Account represent the amount of the contributions payable to the scheme in respect of the accounting period.

Defined Benefit Scheme

The pension costs charged to the Income and Expenditure Account are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially level percentage of the current and expected future pensionable payroll.

(m) VAT

The Group has Group registration for VAT purposes. A large proportion of the Group's income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. For 2004/2005, only a small proportion of VAT paid was recoverable. Expenditure is therefore shown inclusive of VAT and any input VAT recovered is included in other income.

(n) Lease Obligations

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

2. TURNOVER

Turnover, which is stated net of value added tax, represents income receivable from lettings and property management, revenue grants, fees from managed associations and other income. In respect of the Consolidated Income and Expenditure Account, turnover also includes income from providing support and personal care services, housing for sale projects and property management and factoring income.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

3a. TURNOVER, OPERATING SURPLUS AND SURPLUS BY CLASS OF BUSINESS – CONSOLIDATED

	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000	Interest Receivable £'000	Interest Payable (Note 6) £'000	Disposal of Fixed Assets £'000	Surplus/ (Deficit) 2005 £'000	Surplus/ (Deficit) 2004 £'000
Income and Expenditure from Lettings									
Housing Accommodation	13,122	(10,921)	-	2,201	-	(2,104)	-	97	869
Supported Accommodation	283	(198)	-	85	-	(53)	-	32	86
Shared Ownership Accommodation	817	(347)	-	470	-	(135)	-	335	205
	14,222	(11,466)	-	2,756	-	(2,292)	-	464	1,160
Other Income and Expenditure									
Management Fees	2	6	-	8	-	-	-	8	5
Sales of Housing Accommodation	1,848	(42)	(1,754)	52	-	-	-	52	(1)
Other (Note 6)	426	(596)	-	(170)	-	-	-	(170)	(359)
Community Regeneration	-	(586)	-	(586)	-	-	-	(586)	(413)
Interest Receivable	-	-	-	-	292	-	-	292	376
Gain on Disposal of Fixed Assets	-	-	-	-	-	-	381	381	707
Housing Support Services/Personal Care	3,688	(3,563)	-	125	-	-	-	125	221
Release of negative goodwill	-	401	-	401	-	-	-	401	402
	5,964	(4,380)	(1,754)	(170)	292	-	381	503	938
TOTAL 2005	20,186	(15,846)	(1,754)	2,586	292	(2,292)	381	967	2,098
TOTAL 2004	17,975	(14,424)	(309)	3,242	376	(2,227)	707	2,098	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

3b. TURNOVER, OPERATING SURPLUS AND SURPLUS BY CLASS OF BUSINESS - LINK GROUP LIMITED

	Turnover £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000	Interest Receivable £'000	Interest Payable (Note 6) £'000	Disposal of Fixed Assets £'000	Surplus/ (Deficit) 2005 £'000	Surplus/ (Deficit) 2004 £'000
Income and Expenditure from Lettings								
Housing Accommodation	12,310	(9,997)	2,313	-	(2,104)	-	209	828
Supported Accommodation	283	(198)	85	-	(53)	-	32	86
Shared Ownership Accommodation	800	(321)	479	-	(135)	-	344	205
	13,393	(10,516)	2,877	-	(2,292)	-	585	1,119
Other Income and Expenditure								
Management Fees	913	(905)	8	-	-	-	8	4
Other (Note 6)	49	(361)	(312)	-	-	-	(312)	(401)
Community Regeneration	-	(330)	(330)	-	-	-	(330)	(298)
Housing Support Services Personal Care	-	(74)	(74)	-	-	-	(74)	-
Interest Receivable	-	-	-	285	-	-	285	370
Gain/(Loss) on Disposal of Fixed Assets	-	-	-	-	-	337	337	634
Release of Negative Goodwill	-	401	401	-	-	-	401	402
	962	(1,269)	(307)	285	-	337	315	711
TOTAL 2005	14,355	(11,785)	2,570	285	(2,292)	337	900	1,830
TOTAL 2004	13,973	(10,920)	3,053	370	(2,227)	634	1,830	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

4a. PARTICULARS OF INCOME AND EXPENDITURE FROM LETTINGS - CONSOLIDATED

	Housing Accommodation £'000	Supported Accommodation £'000	Shared Ownership Accommodation £'000	2005 Total £'000	2004 Total £'000
Income from lettings					
Rents receivable net of identifiable service charges	12,430	311	802	13,543	12,969
Service charges receivable eligible for Housing Benefit	811	-	17	828	833
Service charges receivable ineligible for Housing Benefit	-	-	-	-	-
Gross Rents Receivable	13,241	311	819	14,371	13,802
Less: Rent losses from voids	(149)	(28)	(2)	(179)	(225)
Net Rents Receivable	13,092	283	817	14,192	13,577
Revenue Grants from Communities Scotland	30	-	-	30	388
Revenue Grants from Local Authorities & other agencies	-	-	-	-	-
Total Income from lettings	13,122	283	817	14,222	13,965
Expenditure on lettings					
Services	1,125	-	13	1,138	1,019
Management	2,458	27	220	2,705	2,554
Routine maintenance	2,456	32	-	2,488	2,417
Rent losses from bad debts	203	(5)	6	204	85
Major Repairs Expenditure	3,668	106	-	3,774	3,398
Property Depreciation	1,011	38	108	1,157	1,105
Total Expenditure on Lettings	10,921	198	347	11,466	10,578
Operating Surplus or (Deficit) on Letting Activities 2005	2,201	85	470	2,756	3,387
Operating Surplus or (Deficit) on Letting Activities 2004	2,895	133	359	3,387	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

4b. PARTICULARS OF INCOME AND EXPENDITURE FROM LETTINGS - LINK GROUP LIMITED

	Housing Accommodation £'000	Supported Accommodation £'000	Shared Ownership Accommodation £'000	2005 Total £'000	2004 Total £'000
Income from lettings					
Rents receivable net of identifiable service charges	12,430	311	802	13,543	13,043
Service charges receivable eligible for Housing Benefit	-	-	-	-	-
Service charges receivable ineligible for Housing Benefit	-	-	-	-	-
Gross Rents Receivable	12,430	311	802	13,543	13,043
Less: Rent losses from voids	(149)	(28)	(2)	(179)	(225)
Net Rents Receivable	12,281	283	800	13,364	12,818
Revenue Grants from Communities Scotland	29	-	-	29	245
Revenue Grants from Local Authorities & other agencies	-	-	-	-	-
Total Income from lettings	12,310	283	800	13,393	13,063
Expenditure on lettings					
Services	-	-	-	-	-
Management	2,557	27	207	2,791	2,680
Routine maintenance	2,558	32	-	2,590	2,481
Rent losses from bad debts	203	(5)	6	204	53
Major Repairs Expenditure	3,668	106	-	3,774	3,398
Property Depreciation	1,011	38	108	1,157	1,105
Total Expenditure on Lettings	9,997	198	321	10,516	9,717
Operating Surplus on Letting Activities 2005	2,313	85	479	2,877	3,346
Operating Surplus or (Deficit) on Letting Activities 2004	2,854	133	359	3,346	

The average annual assured tenancy rent is £2,758 (2004 - £2,657), which is an increase of 3.8%.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

5. GAIN ON DISPOSAL OF FIXED ASSETS

In the year to 31 March 2005 Link Group Ltd achieved a gain on disposal of fixed assets of £337,000 compared to a gain in 2004 of £634,000. During the year, Link continued to sell properties under the Right to Buy legislation and also the onward sale of Shared ownership tranches.

The gain in disposal in 2005 of £337,000 is after charging costs amounting to £264,000 of decant and home loss payments relating a major regeneration project.

6. OTHER COSTS

	Consolidated		Link Group Ltd	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Business & other development costs	259	366	259	366
Publicity and promotion	68	30	68	30
Development costs	34	31	34	31
Factoring and agency services	235	185	-	-
Other	-	-	-	-
	<u>596</u>	<u>612</u>	<u>361</u>	<u>427</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable in the year has been charged as follows:-

	Consolidated		Link Group Ltd	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Income and Expenditure Account – Loan Interest	2,292	2,227	2,292	2,227
Capitalised in work in progress	45	7	-	-
	<u>2,337</u>	<u>2,234</u>	<u>2,292</u>	<u>2,227</u>

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)****8. DIRECTORS AND BOARD MEMBERS EMOLUMENTS**

The aggregate Directors emoluments, including the Chief Executive were as follows;

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Emoluments (including pension contributions)	373	347	197	192

The Directors whose emoluments exceed £40,000 fall within the following bandings;

Emoluments (excluding pension contributions)	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	No.	No.	No.	No.
£40,000 - £44,999	-	-	-	-
£45,000 - £49,999	1	1	-	-
£50,000 - £54,999	3	3	1	2
£55,000 - £59,999	1	-	1	-
£60,000 - £64,999	-	-	-	-
£65,000 - £69,999	1	1	1	1
	<u>6</u>	<u>5</u>	<u>3</u>	<u>3</u>

The emoluments of the highest paid Director, who is the Chief Executive is £68,151 (2004 - £65,618).

The Chief Executive is an ordinary member of the pension scheme, no enhanced or special terms apply and he has no other pension arrangements with Link. The pension contribution by Link in respect of the Chief Executive amounted to £7,620 (2004 - £7,363).

There were no emoluments paid to Board or Committee Members during the year.

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Travel expenses reimbursed to Board and Committee Members	9	10	4	4

During the year there were two tenant Board Members (2004, one) whose tenancies were on normal terms.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

9. EMPLOYEES

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Staff costs during the year:				
Wages and salaries	5,351	4,840	1,167	1,139
Social Security costs	493	448	117	110
Other pension costs	412	359	117	103
	<u>6,256</u>	<u>5,647</u>	<u>1,401</u>	<u>1,352</u>

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	No.	No.	No.	No.
The average number of persons employed during the year	<u>309</u>	<u>297</u>	<u>52</u>	<u>51</u>

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	No.	No.	No.	No.
The average full time equivalent number of persons employed during the year	<u>265</u>	<u>249</u>	<u>46</u>	<u>44</u>

10. AUDITORS' REMUNERATION

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
The remuneration of the auditors (including Expenses and VAT)				
Audit services	38	28	18	8
Other services	4	2	2	-
	<u>42</u>	<u>30</u>	<u>20</u>	<u>8</u>

11. TAXATION

Link Group Limited has charitable status for taxation purposes. In the year to 31 March 2005 it is considered that the Association's activities were within the scope of the charitable status and accordingly no provision for taxation is necessary for Link Group Limited.

For the group, the charge for Corporation Tax is made up as follows:-

	Consolidated	
	2005	2004
	£'000	£'000
Corporation tax on the results for the year	-	1
Under / (Over) provision in previous year	-	2
	<u>-</u>	<u>3</u>

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)****12. HOUSING STOCK – LINK GROUP****Analysis of Housing Stock by Accommodation Type**

	Units in Management		Units Under Development	
	31 March 2005 Units	31 March 2004 Units	31 March 2005 Units	31 March 2004 Units
Housing accommodation for letting	5,051	4,973	138	28
Supported accommodation	115	174	26	-
Shared Ownership accommodation	506	556	30	12
Total units in management	<u>5,672</u>	<u>5,703</u>	<u>194</u>	<u>40</u>

In addition, the following units are managed by other bodies;

Organisation	Units	
	31 March 2005 Units	31 March 2004 Units
The Action Group	2	4
Barony Housing Association	11	11
Penumbra	1	12
Stirling University	85	85
Kintry	190	157
Key Housing Association	14	14
Others	29	23
	<u>332</u>	<u>306</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

13a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES - CONSOLIDATED

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	Shared Ownership properties in course of construction £'000	2005 Total £'000	2004 Total £'000
Cost						
At 1 April 2004	183,630	20,716	7,388	235	211,969	206,269
Additions	1,030	3	12,313	48	13,394	9,472
Transfers	8,820	505	(9,355)	30	-	-
Disposals - initial tranches	-	(61)	-	(273)	(334)	(129)
- other sales	(1,473)	(1,717)	-	-	(3,190)	(3,643)
At 31 March 2005	192,007	19,446	10,346	40	221,839	211,969
Depreciation						
At 1 April 2004	4,115	548	-	-	4,663	3,730
Provided during the year	1,050	108	-	-	1,158	1,104
On Disposals	(20)	(45)	-	-	(65)	(171)
At 31 March 2005	5,145	611	-	-	5,756	4,663
Depreciated Cost	186,862	18,835	10,346	40	216,083	207,306
Housing Association Grant						
At 1 April 2004	128,821	14,650	4,233	186	147,890	145,159
Additions	303	-	6,943	38	7,284	4,884
Transfers	6,329	404	(6,547)	(186)	-	1
Repaid and abated during year	(538)	(1,058)	-	-	(1,596)	(2,154)
At 31 March 2005	134,915	13,996	4,629	38	153,578	147,890
Other Capital Grants						
At 1 April 2004	2,275	14	10	-	2,299	2,115
Additions	4	-	30	-	34	184
Transfers	-	-	-	-	-	-
Repaid and abated during year	-	-	-	-	-	-
At 31 March 2005	2,279	14	40	-	2,333	2,299
Net Book Value at 31 March 2005	49,668	4,825	5,677	2	60,172	57,117
Net Book Value at 31 March 2004	48,460	5,463	3,145	49	57,117	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

13b. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES - LINK GROUP LIMITED

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	Shared Ownership properties in course of construction £'000	2005 Total £'000	2004 Total £'000
Cost						
At 1 April 2004	183,630	20,716	7,388	235	211,969	206,308
Additions	1,030	3	12,313	48	13,394	9,472
Transfers	8,820	505	(9,355)	30	-	-
Disposals - initial tranches	-	(61)	-	(273)	(334)	(129)
- other sales	(1,473)	(1,717)	-	-	(3,190)	(3,682)
At 31 March 2005	192,007	19,446	10,346	40	221,839	211,969
Depreciation						
At 1 April 2004	4,115	548	-	-	4,663	3,730
Provided during the year	1,050	108	-	-	1,158	1,104
On Disposals	(20)	(45)	-	-	(65)	(171)
At 31 March 2005	5,145	611	-	-	5,756	4,663
Depreciated Cost	186,862	18,835	10,346	40	216,083	207,306
Housing Association Grant						
At 1 April 2004	128,821	14,650	4,233	186	147,890	145,159
Additions	303	-	6,943	38	7,284	4,884
Transfers	6,329	404	(6,547)	(186)	-	1
Repaid and abated during year	(538)	(1,058)	-	-	(1,596)	(2,154)
At 31 March 2005	134,915	13,996	4,629	38	153,578	147,890
Other Capital Grants						
At 1 April 2004	2,275	14	10	-	2,299	2,115
Additions	4	-	30	-	34	184
Transfers	-	-	-	-	-	-
Repaid and abated during year	-	-	-	-	-	-
At 31 March 2005	2,279	14	40	-	2,333	2,299
Net Book Value at 31 March 2005	49,668	4,825	5,677	2	60,172	57,117
Net Book Value at 31 March 2004	48,460	5,463	3,145	49	57,117	

For Link and the group, development administration costs capitalised amounted to £306,048 (2004 - £197,411) for which Housing Association Grant amounting to £292,907 (2004 - £235,644) was received in the year.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

14a. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS - CONSOLIDATED

	Heritable Office Property £'000	Equipment £'000	Vehicles £'000	2005 Total £'000	2004 Total £'000
Cost					
At 1 April 2004	2,040	580	23	2,643	2,462
Additions	3	363	72	438	232
Disposals	-	(60)	-	(60)	(51)
At 31 March 2005	2,043	883	95	3,021	2,643
Depreciation					
At 1 April 2004	702	374	13	1,089	961
Provided during the year	66	169	25	260	177
On Disposals	-	(60)	-	(60)	(49)
At 31 March 2005	768	483	38	1,289	1,089
Net Book Value at 31 March 2005	1,275	400	57	1,732	1,554
Net Book Value at 31 March 2004	1,338	206	10	1,554	

14b. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS - LINK GROUP LTD

	Heritable Office Property £'000	Equipment £'000	Vehicles £'000	2005 Total £'000	2004 Total £'000
Cost					
At 1 April 2004	2,040	580	23	2,643	2,462
Additions	3	333	-	336	232
Disposals	-	(60)	-	(60)	(51)
At 31 March 2005	2,043	853	23	2,919	2,643
Depreciation					
At 1 April 2004	702	374	13	1,089	961
Provided during the year	65	161	2	228	177
On Disposals	-	(60)	-	(60)	(49)
At 31 March 2005	767	475	15	1,257	1,089
Net Book Value at 31 March 2005	1,276	378	8	1,662	1,554
Net Book Value at 31 March 2004	1,338	206	10	1,554	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

15. INVESTMENTS

At 31 March 2005 the group held 100% share capital of the following subsidiary undertakings.

Subsidiary undertakings

Company	Authorised Share Capital	Issued Share Capital	Principal Activity
Link Housing Association Limited	Limited by Guarantee	N/A	Management of social rented housing stock
Linkwide Limited	Limited by Guarantee	N/A	Development of Community Regeneration initiatives
LinkLiving Limited	Limited by Guarantee	N/A	Providing care and support to Link tenants and others
Inverlink Limited	50,000 £1 shares	£50,000	Consultancy and Partnership Initiatives
Link Homes (2001) Limited	50,000 £1 shares	£50,000	Developing housing for sale
Link Property Limited	50,000 £1 shares	£50,000	Property management services
Link Real Estate Limited	100 £1 shares	£1	Dormant company
Linkwide Trading (West) Limited	Limited by Guarantee	N/A	Providing locally community based concierge services and training placements

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

The issued share capital of Link Property Limited and Link Homes (2001) Limited are shown at cost within Link Group Limited and the issued share capital of Inverlink Limited has been written down to nil in Link Group Limited.

Link Real Estate was dormant (within the meaning of section 250 of the Companies Act 1985) throughout the financial period 31 March 2005.

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)****15. INVESTMENTS (continued)**

	Shares in Group Undertakings
	£
Cost	
At 1 April 2004 and 31 March 2005	<u>150,000</u>
Amounts Written Down	
At 1 April 2004 and 31 March 2005	<u>(50,000)</u>
Net Book Value At 31 March 2004 and 31 March 2005	<u><u>100,000</u></u>

16. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
At 1 April 2004	914	157	-	-
Expenditure on development properties	2,518	1,168	-	-
Grants received from Communities Scotland	-	(103)	-	-
Cost of disposals transferred to Cost of Sales	(1,788)	(308)	-	-
At 31 March 2005	<u>1,644</u>	<u>914</u>	<u>-</u>	<u>-</u>

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)****17. DEBTORS**

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Arrears of rent and service charges	1,248	1,317	996	1,137
Less: Provision for bad and doubtful debts	(557)	(405)	(477)	(405)
HAG receivable	2,964	1,004	2,964	1,004
Revenue Grants receivable	-	21	-	12
Other debtors (less provision £46,735 2004 - £49,616)	409	963	30	178
Prepayments	233	126	72	71
Due from subsidiaries	-	-	1,739	1,396
	4,297	3,026	5,324	3,393

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

Link Group Ltd has provided loan facilities of £1m to one of its subsidiaries through an on-lending agreement from part of its syndicated lending facility of £50m (see note 19). The amount advanced under this facility was £945,479 (2004 £665,000).

18. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Housing loans - current instalments due	-	-	-	-
Trade and other creditors	3,110	3,266	2,223	2,821
Taxation and Social Security	920	129	920	128
Pension Contributions	53	-	53	-
Accruals	1,064	618	234	157
Rents in advance	610	595	529	595
Amounts Owed to Group Undertakings	-	-	617	-
	5,757	4,608	4,576	3,701

Included in Trade and Other Creditors is an amount of £775,000 (2004, £775,000) representing a grant repayable to Communities Scotland. The amount repayable relates to grant aided flats which were demolished following the discovery of serious structural defects. Link does not consider the grant repayment to be equitable and has made representations to Communities Scotland for further abatement, although in the accounts the full amount repayable has been provided for.

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)****19. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Housing Loans				
Fixed Rate				
Advanced by Banks	24,700	24,700	24,700	24,700
Variable Rate				
Advanced by Banks	13,300	15,300	13,300	15,300
	<u>38,000</u>	<u>40,000</u>	<u>38,000</u>	<u>40,000</u>

The Association has a loan facility of £50m, of which £38m (2004, £40m) had been drawn down as at 31 March 2005 and £12m (2004 - £10m) is available to be drawn down in accordance with the terms of the Facility Agreement.

The loan facility is secured over a number of the Association's housing properties.

Interest on the loans outstanding at 31 March 2005 was charged at interest rates between 4.62% and 7.41% (2004, 3.96% and 7.41%).

Analysis of Maturity of Debt

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amounts Repayable:				
In one year or less, or on demand	-	-	-	-
Between one and two years	50	-	50	-
Between two and five years	600	250	600	250
	<u>650</u>	<u>250</u>	<u>650</u>	<u>250</u>
In five years or more	37,350	39,750	37,350	39,750
	<u>38,000</u>	<u>40,000</u>	<u>38,000</u>	<u>40,000</u>

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)****20. SHARE CAPITAL**

	Link Group Ltd	
	2005	2004
	No.	No.
Shares of £1 each fully paid and issued		
At beginning of the year	175	170
Shares issued during the year	13	5
Shares surrendered during the year	-	-
Shares of £1 each fully paid at end of the year	<u>188</u>	<u>175</u>

21. DESIGNATED FUTURE MAINTENANCE RESERVE – CONSOLIDATED AND LINK GROUP LIMITED

	2005	2004
	Total	Total
	£'000	£'000
Balance at 1 April 2004	15,960	15,342
From Income and Expenditure Account	3,841	3,811
To Income and Expenditure Account	(3,745)	(3,193)
At 31 March 2005	<u>16,056</u>	<u>15,960</u>

22. NEGATIVE GOODWILL – CONSOLIDATED AND LINK GROUP LIMITED

	2005	2004
	Total	Total
	£'000	£'000
Balance at 1 April 2004	6,423	6,825
Amortised during the year	(401)	(402)
At 31 March 2005	<u>6,022</u>	<u>6,423</u>

Negative Goodwill which arose on a Transfer of Engagements is amortised over 20 years in accordance with the Association's accounting policy.

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)****23. CAPITAL COMMITMENTS**

At 31 March 2005 authorised and contracted commitments outstanding amounted to approximately £8m for Link Group Limited and the group (2004, £6.2m).

24. CONTINGENT LIABILITIES**Office Repairs**

A contingent liability exists in respect of potential repairs to Link's property at 170 Hope Street, Glasgow. The property is listed and deemed to be of significant architectural importance, although major expenditure is required to make the property safe. Agreement has been reached in principle with Glasgow Building Preservation Trust to purchase the property for £1 which will free Link from any liability for repairs to the building.

25. OBLIGATIONS UNDER LEASES

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

CONSOLIDATED	2005		2004	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	5	-	4	17
In the second to fifth year inclusive	-	47	-	68
Over five years	137	-	137	-
	<u>142</u>	<u>47</u>	<u>141</u>	<u>85</u>

LINK GROUP LIMITED	2005		2004	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	5	-	4	3
In the second to fifth year inclusive	-	43	-	50
Over five years	137	-	137	-
	<u>142</u>	<u>43</u>	<u>141</u>	<u>53</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

26. RECONCILIATION OF SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITY

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Operating surplus	2,584	3,242	2,569	3,053
Depreciation charges	1,417	1,282	1,386	1,282
Release of negative goodwill	(401)	(402)	(402)	(402)
(Decrease)/increase in creditors	1,204	293	978	307
Decrease/(increase) in debtors	593	260	(65)	(75)
Decrease in work in progress	(729)	(758)	-	-
Decrease in loans (current liabilities)	-	-	-	-
Net Cash Inflow from Operating Activities	<u>4,668</u>	<u>3,917</u>	<u>4,466</u>	<u>4,165</u>

27. GROSS CASH FLOWS

	Consolidated		Link Group Ltd	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
(a) Returns on Investments and Servicing of Finance				
Interest received	310	361	303	355
Interest paid	(2,292)	(2,230)	(2,293)	(2,231)
	<u>(1,982)</u>	<u>(1,869)</u>	<u>(1,990)</u>	<u>(1,876)</u>

(b) Capital Expenditure

Sales proceeds of housing accommodation held for disposal	334	128	334	128
Acquisition and construction of housing Properties	(12,839)	(9,472)	(12,839)	(9,472)
Purchase of other fixed assets	(383)	(232)	(328)	(232)
Capital grants received	5,357	4,067	5,357	4,067
Grants repaid	(1,411)	(2,571)	(1,411)	(2,571)
Sale proceeds of housing properties	2,734	4,082	2,691	4,047
Sale proceeds of other fixed assets	-	-	-	-
	<u>(6,208)</u>	<u>(3,998)</u>	<u>(6,196)</u>	<u>(4,033)</u>

(c) Acquisitions and Disposals

	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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(d) Financing

Loan advances received - housing	-	-	-	-
Loans redeemed - housing	(2,000)	-	(2,000)	-
Loan principal repayments - Housing	-	-	-	-
	<u>(2,000)</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)****28a. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT - CONSOLIDATED**

	2005	2004
	£'000	£'000
Increase in cash in the period	479	(2,955)
Cash (inflow)/outflow from increase/decrease in debt	2,000	-
Cash outflow/(inflow) from increase/(decrease) in liquid resources	(6,000)	1,000
Change in net debt resulting from cash flows	<u>(3,521)</u>	<u>(1,955)</u>
Movement in net debt in the period	<u>3,521</u>	<u>(1,955)</u>
Net debt at 1 April 2004	<u>(29,591)</u>	<u>(27,636)</u>
Net debt at 31 March 2005	<u><u>(33,112)</u></u>	<u><u>(29,591)</u></u>

**28b. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
LINK GROUP LIMITED**

	2005	2004
	£'000	£'000
Increase in cash in the period	280	(2,744)
Cash (inflow)/outflow from increase/decrease in debt	2,000	-
Cash outflow/(inflow) from increase/(decrease) in liquid resources	(6,000)	1,000
Change in net debt resulting from cash flows	<u>(3,720)</u>	<u>(1,744)</u>
Movement in net debt in the period	<u>(3,720)</u>	<u>(1,744)</u>
Net debt at 1 April 2004	<u>(30,316)</u>	<u>(28,572)</u>
Net debt at 31 March 2005	<u><u>(34,036)</u></u>	<u><u>(30,316)</u></u>

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)**

29a. ANALYSIS OF NET DEBT - CONSOLIDATED

	At 1 April 2004 £'000	Cash Flows £'000	At 31 March 2005 £'000
Cash at bank	4,409	479	4,888
Debt due after one year	(40,000)	2,000	(38,000)
Debt due within one year	-	-	-
		<u>2,000</u>	
Liquid resources	<u>6,000</u>	<u>(6,000)</u>	-
	<u>(29,591)</u>	<u>(3,521)</u>	<u>(33,112)</u>

29b. ANALYSIS OF NET DEBT - LINK GROUP LIMITED

	At 1 April 2004 £'000	Cash Flows £'000	At 31 March 2005 £'000
Cash at bank	3,684	280	3,964
Debt due after one year	(40,000)	2,000	(38,000)
Debt due within one year	-	-	-
		<u>2,000</u>	
Liquid resources	<u>6,000</u>	<u>(6,000)</u>	-
	<u>(30,316)</u>	<u>(3,720)</u>	<u>(34,036)</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005 (Continued)

30. PENSIONS

Defined Contribution Scheme

156 members of staff are members of the Link Group personal pension scheme (2004, 161), 35 of whom are employed by Link Group Ltd (2004, 39). The assets of the scheme are administered by trustees in a fund independent of the Link Group. The total employer contributions for the year ended 31 March 2005 amounted to £358,705 (2004, £302,372), £104,296 of which were made in relation to Link Group Ltd staff (2004, £90,829).

Defined Benefit Scheme

General

Link Group Ltd also participates in the SFHA Pension Scheme (the "scheme"). The Scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme. The last formal valuation of the scheme was performed at 30 September 2003 by a professionally qualified actuary using the "projected unit credit" method.

Link Group paid contributions at the rate of 12.2%, amounting to £53,029 (2004, £56,897) during the accounting period for 16 members of staff (2004, 22), of which £11,440 (2004, £11,306) related to 3 members of Link Group Ltd staff (2004, 4). Member contributions were 6.0% up to 31 March 2005. It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Due to the nature of the Scheme, the income and expenditure account charge for the period under both SSAP24 and FRS17 represents the employers' contribution payable.

September 2003 Valuation Results

The market value of the Scheme's assets as at the September 2003 valuation date was £143 million. The valuation showed a shortfall of assets compared to liabilities of £37 million (equivalent to a past service funding level of 80%).

Financial Assumptions

The financial assumptions underlying the September 2003 valuation were as follows:

	%pa
- Investment return pre retirement	7.80
- Investment return post retirement	5.20
- Rate of salary increase	4.00
- Rate of pension increases	2.50
(for leavers before 1 October 1993 pension increases at 5.00%pa)	
- Rate of price inflation	2.50

The employer's on going future service contribution rate, after allowing for changes in benefits, was assessed as 9.3% of pensionable salaries. In view of the past service shortfall it was agreed that:

- The standard employer contribution rate would be increased from 12.2% to 14.0% of pensionable salaries with effect from April 2005.
- Member contributions would be increased from 6.0% to 7.0% with effect from April 2005.

A small number of employers that have closed the scheme to new members are required to pay an additional contribution loading of 3.5% to reflect the higher costs of a closed arrangement. On the basis of the valuation assumptions this pattern of contributions will be sufficient to eliminate the past service defect by 30 September 2015.

The next valuation will be as at 30 September 2006 and the results will be available in September 2007.