

**LINK GROUP LIMITED**



**LINKGROUP**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED**

**31 MARCH 2006**

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

**LINK GROUP LIMITED**

**REPORTS AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**

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## **LINK GROUP LIMITED**

### **BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS**

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#### **BOARD OF MANAGEMENT**

D J A Sievwright (Chairman)  
P Stephen-Samuels (Vice-Chairman)  
J Christie  
T H Clark  
M E Ewing  
P D Foreman  
M C Grant (Resigned January 2006)  
W Hayhurst

J M Hinton  
S G Leask  
D Anderson (Appointed May 2006)  
C M J Macneill  
R Robertson (Appointed April 2006)  
J O'Neill  
M R Sibbald

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#### **CHIEF EXECUTIVE AND DIRECTORS**

Chief Executive  
Director of Finance and Corporate Services/Secretary  
Director of Housing and Technical Services  
Director of Housing Support Services  
Director of Regeneration and Development

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

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#### **AUDITORS**

Scott-Moncrieff

#### **BANKERS**

Bank of Scotland

#### **SOLICITORS**

Burness Solicitors LLP

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#### **FUNDERS**

Royal Bank of Scotland plc

Lloyds TSB Scotland plc

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#### **REGISTERED OFFICE**

45 Albany Street  
Edinburgh  
EH1 3QY

#### **WEB SITE**

[www.linkhousing.co.uk](http://www.linkhousing.co.uk)

#### **E-MAIL**

[linkhousing@linkhousing.co.uk](mailto:linkhousing@linkhousing.co.uk)

## **LINK GROUP LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT**

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The Board presents its report and the Group accounts for the year ended 31 March 2006.

#### **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 Performance**

Link Group Limited (“Link” or the “Association”) achieved a surplus for the year of £0.7M (2005 £0.9M). This decrease in the surplus for the year was due mainly to a reduced Gain on Disposal of Housing Properties.

Both Turnover and Operating Costs increased by approximately 5% and 4% to £15.1m and £12.2m, respectively, resulting in an increase in the Operating Surplus from £2.6M to £2.9M. Included in Operating Costs is expenditure on Planned and Cyclical Maintenance and Major Repairs, which was maintained at the same level of £3.8M as 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 2006 Link transferred £0.1M to the Designated Reserve (2005, £0.1M). The transfers in 2005 and 2006 reflect the substantial expenditure incurred during both years.

In 2005 Link commissioned stock condition surveys to augment and verify its planned maintenance data as well as to confirm information related to achievement of the Scottish Housing Quality Standard (SHQS). Link’s investment in planned maintenance and major repairs will ensure that it meets the SHQS by 2015. In addition to this Link will increase its investment in its housing stock over the next 30 years and its long-term financial projections confirm its ability to do so. This extensive programme will itself be influenced by the development of Link’s Asset Management Strategy which, in this regard, will focus on when it will be appropriate to carry out whole refurbishment of properties, rather than a continual cycle of building component replacement.

Link’s overall retained surplus for the year decreased from £0.8M in 2005 to £0.6M in 2006. This is principally as a result of the lower level of Gains on Disposal of Housing Properties in 2006 compared to 2005. 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 £1.3M in 2006 and £1.2M in 2005.

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 2006 Link’s total reserves amounted to £29M, an increase of £0.4M from 2005. 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 £29M of total reserves, the Designated Reserve for Future Maintenance amounted to £16.2M (2005 £16.1M).

During the year Link invested £19.5M 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 £10.7M with the balance funded by loans drawn under the syndicated loan facility. This facility was re-negotiated during the year and increased from £50M to £60M to support Link’s investment requirements over the next few years.

## **LINK GROUP LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT (continued)**

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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 614 properties over the 5-year business plan period 2006/10 to 2010/11. Included in the 614 properties are a new build project of 144 units in Oatlands Glasgow, 162 new build properties in Dalmuir, West Dumbarton and 93 properties in Peffermill. The planned re-development, new build and refurbishment programme requires a capital investment of £44.8M, funded by a mix of grants and loans and from internal resources.

The consolidated results of the group reflect the results of the subsidiary companies and the total retained surplus of the group amounted to £0.6M (2005 £0.8M). The Board welcomes the positive contribution by the subsidiaries.

#### **Operating Performance**

During the year Link completed its structure review, the outcome of which was that

- The functions of regeneration and development were combined and are headed by a Director of Regeneration and Development and the responsibility for these areas is being undertaken by the Linkwide Board.
- The planned maintenance function is now incorporated into housing, headed by a Director of Housing and Technical Services and responsibility for this area is being undertaken by the Link Housing Board.
- The provision of factoring services for sharing owners and owner-occupiers, (with the exception of some commercial factoring arrangements) is now being undertaken by Link Housing Association (formerly an activity of Link Property).

The objective behind these changes is to create a more focused, holistic and cohesive approach to service delivery. Further to this objective Link set in motion the establishment of a Customer Service Centre in its new office in Callendar Business Park Falkirk. The Customer Service Centre consolidates service delivery and centralises administrative functions related to housing and maintenance services, leaving more time for housing staff located in area offices to spend in the community. The Customer Service Centre opened for business in July 2006.

During the year Link continued to perform well in terms of Key Financial Performance Indicators. Results for 2004/05 show that Link's voids (as a percentage of rent receivable) improved from 1.7% of rent receivable in the previous year to 1.3% in 2004/05. In addition arrears (as a percentage of rent receivable) reduced from 5.6% to 3.8% for 2004/05. In 2005/06 voids were 0.7% and arrears 4.3%.

Against other Key Performance Indicators the Board is satisfied that Link performs well compared to its peer group, (General Registered Social Landlords with more than 1,000 units under management) and also compared to all Registered Social Landlords (RSLs) generally.

Each year the Group Board sets strategic objectives for the group and it consults the subsidiary companies about these objectives. Following agreement to the Strategic Objectives the Board also consults the subsidiaries with regard to objectives and targets and through this process key objectives and targets are set for forthcoming financial years. The subsidiaries add to these objectives and targets and prepare business plans which are submitted to the Group Board for approval prior to the beginning of the financial year.

The future of development funding for RSLs is the subject of much debate and consideration. Link's expertise and experience and its ability to raise substantial private funding will be key factors in Link's case for it to be a developing RSL.

For 2006/07 and beyond Link Group has focused on targets related to growth of the organisation in terms of units and services provided and also in improving service delivery, which was at the heart of the structure review. Relevant factors for measuring this success will be units under management, voids and bad debts, customer satisfaction levels and unit management and maintenance costs.

## **LINK GROUP LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT (continued)**

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#### **Operating Performance (continued)**

Link is in discussion with Larkfield Housing Association (which is based in Greenock and has approximately 425 rented properties under management) about it joining the Link group as an RSL subsidiary. Agreement in principle has been reached and Larkfield intends, subject to regulatory and members consent, to join the group during 2006/07.

#### **Group Structure**

Link Group Ltd has charitable status and is a Registered Social Landlord (regulated by Communities Scotland) and 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 implemented its operational structure review and decided to reduce the number of subsidiaries to improve service delivery and also to enable a more holistic approach to be taken. This reduces the number of operating subsidiaries to five.

#### **Board and Directors**

The Board consists of up to 15 members elected at the Annual General Meeting. Board members serve on various committees (as described in the Statement on Internal Financial Controls) 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, 324 staff (Link Group Ltd 53 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. During the year Link Group Ltd was accredited as an Investor in People (IIP). The entire group has now been awarded IIP.

**LINK GROUP LIMITED**

**REPORT OF THE BOARD OF MANAGEMENT (continued)**

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**Auditors**

Following a tendering exercise, the Board appointed Scott-Moncrieff as auditors during the year. A resolution to re-appoint Scott-Moncrieff as Auditors of the association will be proposed at the Annual General Meeting to be held on 22 August 2006.

As far as each of the members of the Board at the time the report is approved are aware:

- there is no relevant information of which the association's auditors are unaware and
- the members of the Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of the information.

**BY ORDER OF THE BOARD**

J N Hall, FCCA  
Secretary

1 August 2006

## **LINK GROUP LIMITED**

### **BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS**

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#### **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.

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)**

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#### **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.

#### **Strategy Planning and Risk**

Link has a full-time Strategy Planning and Risk Manager whose principal functions are strategic planning and management of risk. The post holder also co-ordinates the internal audit programme.

#### **Risk Management Committee**

The Risk Management Committee has four 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 these 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. In addition the Committee also reviews Link's Risk Management Strategy and assesses risks associated with major business changes and new initiatives.

#### **Audit Committee**

The Audit Committee has five 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 Strategy, Planning and Risk 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 Board is committed to the provision of a healthy and safe working environment. Link endeavours to eliminate hazards where recognisable, including the risk of fire, security losses, damage to plant, property and the environment, thus significantly reducing the risk of personal injury or occupational ill health to all personnel. The Health & Safety Committee oversee Link's risk assessment programme and regularly review the policy. In addition in 2005/06 Link appointed a Health and Safety Officer.

#### **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 have 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**

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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**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LINK GROUP LIMITED**

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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 year ended 31 March 2006 set out on pages 11 to 39. These financial statements have been prepared under the accounting policies set out on therein.

This report is made solely to the association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Board of Management and auditors**

As described in the Board of Management's report the Board of Management are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 2002, Schedule 7 the Housing (Scotland) Act 2001, the Registered Housing Associations (Accounting Requirements)(Scotland) Order 1999 and the Companies Act 1985. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We report to you whether in our opinion the information given in the Board of Management's report is consistent with the financial statements.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 misstatement, 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.

## **LINK GROUP LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LINK GROUP LIMITED (Continued)**

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#### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice; of the state of the association and the group's affairs as at 31 March 2006 and of its results for the year then ended; and
- the financial statements have been properly prepared in accordance with Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, Schedule 7 the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999.
- the information given in the Board of Management's report is consistent with the financial statements.

#### **Corporate Governance Matters**

In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 6 to 7 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 6 to 7, 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.

Scott-Moncrieff  
Chartered Accountants  
Registered Auditor  
25 Bothwell Street  
Glasgow G2 6NL

1 August 2006

**LINK GROUP LIMITED****CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 MARCH 2006**

	Notes	2006		2005
		£'000	£'000	£'000
<b>Turnover</b>	3a		21,217	<u>20,186</u>
<b>Less:</b>				
Operating Costs	3a	(16,669)		(15,846)
Cost of Sales	3a	<u>(1,773)</u>		<u>(1,754)</u>
<b>Operating Surplus</b>	3a		<u>(18,442)</u>	<u>(17,600)</u>
			2,775	2,586
Interest receivable	3a		198	292
Interest payable	3a & 7		(2,511)	(2,292)
Gain on Disposal of Housing Properties	3a		<u>210</u>	<u>381</u>
<b>Surplus for the year before taxation</b>	3a		672	967
Corporation Tax	11		<u>-</u>	<u>-</u>
<b>Surplus for the year after taxation</b>			<u>672</u>	<u>967</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 17 to 39 form part of these accounts.

**LINK GROUP LIMITED****LINK GROUP LIMITED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 MARCH 2006**

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	<b>Notes</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Turnover</b>	3b	15,096	14,355
<b>Less: Operating Costs</b>	3b	<u>(12,241)</u>	<u>(11,785)</u>
<b>Operating Surplus</b>	3b	<u>2,855</u>	<u>2,570</u>
Interest receivable	3b	206	285
Interest payable	3b & 7	(2,511)	(2,292)
Gain/(Loss) on Disposal of Housing Properties	3b	<u>188</u>	<u>337</u>
<b>Surplus for the year</b>		<u><u>738</u></u>	<u><u>900</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 17 to 39 form part of these accounts.

**LINK GROUP LIMITED****CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006**

	Notes	2006 £'000	2005 £'000
<b>Tangible Fixed Assets</b>			
Housing Properties - Depreciated Cost	13	224,709	216,083
Less: Social Housing Grants	13	(157,532)	(153,578)
Other Public Grants	13	(2,393)	(2,333)
		<u>64,784</u>	<u>60,172</u>
Other Fixed Assets	14a	1,636	1,732
Investments	15	-	-
		<u>66,420</u>	<u>61,904</u>
<b>Current Assets</b>			
Work in Progress	16	-	1,644
Debtors	17	3,306	4,297
Cash at bank and in hand		<u>4,835</u>	<u>4,888</u>
		8,141	10,829
<b>Creditors: amounts falling due within one year</b>	18	<u>(7,312)</u>	<u>(5,755)</u>
<b>Net Current Assets</b>		<u>829</u>	<u>5,074</u>
<b>Total Assets Less Current Liabilities</b>		67,249	66,978
<b>Creditors: amounts falling due after more than one year</b>	19	<u>(38,000)</u>	<u>(38,000)</u>
<b>Net Assets</b>		<u>29,249</u>	<u>28,978</u>
<b>Capital and Reserves</b>			
Share Capital	20	-	-
Designated Reserve	21	16,185	16,056
Negative Goodwill	22	5,621	6,022
Revenue Reserve	23a	<u>7,443</u>	<u>6,900</u>
		<u>29,249</u>	<u>28,978</u>

Authorised for issue by the Board of Management on 1 August 2006 and signed on its behalf by:-

D J A Sievwright, Chairman

D Anderson, Board Member

J N Hall, Secretary

The notes on pages 17 to 39 form part of these accounts.

**LINK GROUP LIMITED****LINK GROUP LIMITED BALANCE SHEET AS AT 31 MARCH 2006**

	Notes	2006 £'000	2005 £'000
<b>Tangible Fixed Assets</b>			
Housing Properties - Depreciated Cost	13	224,709	216,083
Less: Social Housing Grants	13	(157,532)	(153,578)
Other Public Grants	13	<u>(2,393)</u>	<u>(2,333)</u>
		64,784	60,172
Other Fixed Assets	14b	1,586	1,662
Investments	15	<u>50</u>	<u>100</u>
		<u>66,420</u>	<u>61,934</u>
<b>Current Assets</b>			
Debtors	17	2,241	5,324
Cash at bank and in hand		<u>3,929</u>	<u>3,964</u>
		6,170	9,288
<b>Creditors: amounts falling due within one year</b>	18	<u>(5,607)</u>	<u>(4,576)</u>
<b>Net Current Assets</b>		<u>563</u>	<u>4,712</u>
<b>Total Assets Less Current Liabilities</b>		66,983	66,646
<b>Creditors: amounts falling due after more than one year</b>	19	<u>(38,000)</u>	<u>(38,000)</u>
<b>Net Assets</b>		<u><u>28,983</u></u>	<u><u>28,646</u></u>
<b>Capital and Reserves</b>			
Share Capital	20	-	-
Designated Reserve	21	16,185	16,056
Negative Goodwill	22	5,621	6,022
Revenue Reserve	23b	<u>7,177</u>	<u>6,568</u>
		<u>28,983</u>	<u>28,646</u>

Authorised for issue by the Board of Management 1 August 2006 and signed on its behalf by:-

D J A Sievwright, Chairman

D Anderson, Board Member

J N Hall, Secretary

The notes on pages 17 to 39 form part of these accounts

**LINK GROUP LIMITED****CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	2006 £'000	2005 £'000
Net cash inflow from operating activities	27	5,924	4,668
Returns on investments and servicing of finance	28a	(2,241)	(1,982)
Taxation		-	1
Capital expenditure	28b	(3,736)	(6,208)
Transfer of engagements	28c	-	-
		<hr/>	<hr/>
Cash outflow before use of liquid resources and financing		(53)	(3,521)
Management of Liquid Resources		-	6,000
Financing	28d	-	(2,000)
		<hr/>	<hr/>
Increase / (Decrease) in cash		<u>(53)</u>	<u>479</u>

**LINK GROUP LIMITED****LINK GROUP LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006**

	<b>Notes</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Net cash inflow from operating activities</b>	27	5,856	4,466
<b>Returns on investments and servicing of finance</b>	28a	(2,234)	(1,990)
<b>Taxation</b>		-	-
<b>Capital expenditure</b>	28b	(3,657)	(6,196)
<b>Transfer of engagements</b>	28c	-	-
		<hr/>	<hr/>
<b>Cash outflow before use of liquid resources and financing</b>		(35)	(3,720)
<b>Management of liquid resources</b>		-	6,000
<b>Financing</b>	28d	-	(2,000)
		<hr/>	<hr/>
<b>Increase / (Decrease) in cash</b>		<u>(35)</u>	<u>280</u>

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

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#### 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 2006. 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 2006 (continued)

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#### 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 2006 (continued)

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#### 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 2005/2006 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 2005/2006, only a small proportion of VAT paid is recoverable, expenditure is therefore shown inclusive of VAT and any input VAT recovered is included in other income.

##### (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 2006 (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 7) £'000	Disposal of Fixed Assets £'000	Surplus/ (Deficit) 2006 £'000	Surplus/ (Deficit) 2005 £'000
<b>Income and Expenditure from Lettings</b>									
Housing Accommodation	14,136	(11,325)	-	2,811	-	(2,362)	-	449	97
Supported Accommodation	51	(15)	-	36	-	(8)	-	28	32
Shared Ownership Accommodation	801	(331)	-	470	-	(141)	-	329	335
	<u>14,988</u>	<u>(11,671)</u>	<u>-</u>	<u>3,317</u>	<u>-</u>	<u>(2,511)</u>	<u>-</u>	<u>806</u>	<u>464</u>
<b>Other Income and Expenditure</b>									
Management Fees	83	(48)	-	35	-	-	-	35	8
Sales of Housing Accommodation	1,816	(20)	(1,773)	23	-	-	-	23	52
Other (Note 6)	647	(693)	-	(46)	-	-	-	(46)	(170)
Community Regeneration	-	(820)	-	(820)	-	-	-	(820)	(586)
Interest Receivable	-	-	-	-	198	-	-	198	292
Gain on Disposal of Fixed Assets	-	-	-	-	-	-	210	210	381
Housing Support Services/Personal Care	3,683	(3,818)	-	(135)	-	-	-	(135)	125
Release of negative goodwill	-	401	-	401	-	-	-	401	401
	<u>6,229</u>	<u>(4,998)</u>	<u>(1,773)</u>	<u>(542)</u>	<u>198</u>	<u>-</u>	<u>210</u>	<u>(134)</u>	<u>503</u>
<b>TOTAL 2006</b>	<u>21,217</u>	<u>(16,669)</u>	<u>(1,773)</u>	<u>2,775</u>	<u>198</u>	<u>(2,511)</u>	<u>210</u>	<u>672</u>	<u>967</u>
<b>TOTAL 2005</b>	<u>20,186</u>	<u>(15,846)</u>	<u>(1,754)</u>	<u>2,586</u>	<u>292</u>	<u>(2,292)</u>	<u>381</u>	<u>967</u>	

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (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 7) £'000	Disposal of Fixed Assets £'000	Surplus/ (Deficit) 2006 £'000	Surplus/ (Deficit) 2005 £'000
<b>Income and Expenditure from Lettings</b>								
Housing Accommodation	13,227	(10,457)	2,770	-	(2,362)	-	408	209
Supported Accommodation	51	(15)	36	-	(8)	-	28	32
Shared Ownership Accommodation	783	(333)	450	-	(141)	-	309	344
	14,061	(10,805)	3,256	-	(2,511)	-	745	585
<b>Other Income and Expenditure</b>								
Management Fees	978	(971)	7	-	-	-	7	8
Other (Note 6)	57	(414)	(357)	-	-	-	(357)	(312)
Community Regeneration	-	(335)	(335)	-	-	-	(335)	(330)
Housing Support Services Personal Care	-	(117)	(117)	-	-	-	(117)	(74)
Interest Receivable	-	-	-	206	-	-	206	285
Gain/(Loss) on Disposal of Fixed Assets	-	-	-	-	-	188	188	337
Release of Negative Goodwill	-	401	401	-	-	-	401	401
	1,035	(1,436)	(401)	206	-	188	(7)	315
<b>TOTAL 2006</b>	<b>15,096</b>	<b>(12,241)</b>	<b>2,855</b>	<b>206</b>	<b>(2,511)</b>	<b>188</b>	<b>738</b>	<b>900</b>
<b>TOTAL 2005</b>	<b>14,355</b>	<b>(11,785)</b>	<b>2,570</b>	<b>285</b>	<b>(2,292)</b>	<b>337</b>	<b>900</b>	

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)**

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

	Housing Accommodation £'000	Supported Accommodation £'000	Shared Ownership Accommodation £'000	2006 Total £'000	2005 Total £'000
<b>Income from lettings</b>					
Rents receivable net of identifiable service charges	13,323	48	787	14,158	13,543
Service charges receivable eligible for Housing Benefit	905	-	16	921	828
Service charges receivable ineligible for Housing Benefit	-	-	-	-	-
<b>Gross Rents Receivable</b>	<b>14,228</b>	<b>48</b>	<b>803</b>	<b>15,079</b>	<b>14,371</b>
Less: Rent losses from voids	(92)	3	(2)	(91)	(179)
<b>Net Rents Receivable</b>	<b>14,136</b>	<b>51</b>	<b>801</b>	<b>14,988</b>	<b>14,192</b>
Revenue Grants from Communities Scotland	-	-	-	-	30
Revenue Grants from Local Authorities & other agencies	-	-	-	-	-
Total Income from lettings	<b>14,136</b>	<b>51</b>	<b>801</b>	<b>14,988</b>	<b>14,222</b>
<b>Expenditure on lettings</b>					
Services	1,035	-	16	1,051	1,138
Management	2,830	6	209	3,045	2,705
Routine maintenance	2,408	1	3	2,412	2,488
Rent losses from bad debts	108	(49)	5	64	204
Major Repairs Expenditure	3,775	53	-	3,828	3,774
Property Depreciation	1,169	4	98	1,271	1,157
Total Expenditure on Lettings	<b>11,325</b>	<b>15</b>	<b>331</b>	<b>11,671</b>	<b>11,466</b>
<b>Operating Surplus or (Deficit) on Letting Activities 2006</b>	<b>2,811</b>	<b>36</b>	<b>470</b>	<b>3,317</b>	<b>2,756</b>
<b>Operating Surplus or (Deficit) on Letting Activities 2005</b>	<b>2,201</b>	<b>85</b>	<b>470</b>	<b>2,756</b>	

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)**

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

	Housing Accommodation £'000	Supported Accommodation £'000	Shared Ownership Accommodation £'000	2006 Total £'000	2005 Total £'000
<b>Income from lettings</b>					
Rents receivable net of identifiable service charges	13,319	48	786	14,153	13,543
Service charges receivable eligible for Housing Benefit	-	-	-	-	-
Service charges receivable ineligible for Housing Benefit	-	-	-	-	-
<b>Gross Rents Receivable</b>	<b>13,319</b>	<b>48</b>	<b>786</b>	<b>14,153</b>	<b>13,543</b>
Less: Rent losses from voids	(92)	3	(3)	(92)	(179)
<b>Net Rents Receivable</b>	<b>13,227</b>	<b>51</b>	<b>783</b>	<b>14,061</b>	<b>13,364</b>
Revenue Grants from Communities Scotland	-	-	-	-	29
Revenue Grants from Local Authorities & other agencies	-	-	-	-	-
Total Income from lettings	<b>13,227</b>	<b>51</b>	<b>783</b>	<b>14,061</b>	<b>13,393</b>
<b>Expenditure on lettings</b>					
Services	-	-	-	-	-
Management	2,795	6	227	3,028	2,791
Routine maintenance	2,610	1	3	2,614	2,590
Rent losses from bad debts	108	(49)	5	64	204
Major Repairs Expenditure	3,775	53	-	3,828	3,774
Property Depreciation	1,169	4	98	1,271	1,157
Total Expenditure on Lettings	<b>10,457</b>	<b>15</b>	<b>333</b>	<b>10,805</b>	<b>10,516</b>
<b>Operating Surplus on Letting Activities 2006</b>	<b>2,770</b>	<b>36</b>	<b>450</b>	<b>3,256</b>	<b>2,877</b>
<b>Operating Surplus or (Deficit) on Letting Activities 2005</b>	<b>2,313</b>	<b>85</b>	<b>479</b>	<b>2,877</b>	

The average annual assured tenancy rent is £2,882 (2005 - £2,758), which is an increase of 4.5%.

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)

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#### 5. GAIN ON DISPOSAL OF FIXED ASSETS

In the year to 31 March 2006 Link Group Ltd achieved a gain on disposal of fixed assets of £188,000 compared to a gain in 2005 of £337,000. 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 on disposal in 2006 of £188,000 is after charging costs amounting to £469,000 of decant, home loss and demolition costs relating to a major regeneration project.

#### 6. OTHER COSTS

	Consolidated		Link Group Ltd	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Business & other development costs	313	259	313	259
Publicity and promotion	41	68	41	68
Development costs	65	34	65	34
Factoring and agency services	279	235	-	-
Other	(5)	-	(5)	-
	<u>693</u>	<u>596</u>	<u>414</u>	<u>361</u>

#### 7. INTEREST PAYABLE AND SIMILAR CHARGES

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

	Consolidated		Link Group Ltd	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Income and Expenditure Account – Loan Interest	2,511	2,292	2,511	2,292
Capitalised in work in progress	-	45	-	-
	<u>2,511</u>	<u>2,337</u>	<u>2,511</u>	<u>2,292</u>

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)****8. DIRECTORS AND BOARD MEMBERS EMOLUMENTS**

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

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Emoluments (including pension contributions)	387	373	207	197

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

<b>Emoluments (excluding pension contributions)</b>	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
£40,000 - £44,999	-	-	-	-
£45,000 - £49,999	1	1	-	-
£50,000 - £54,999	2	3	1	1
£55,000 - £59,999	1	1	-	1
£60,000 - £64,999	1	-	1	-
£65,000 - £69,999	-	1	-	1
£70,000 - £74,999	1	-	1	-
	<u>6</u>	<u>6</u>	<u>3</u>	<u>3</u>

The emoluments of the highest paid Director, who is the Chief Executive are £71,101 (2005 - £68,151).

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 £7,941 (2005 - £7,620).

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

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Travel expenses reimbursed to Board and Committee Members	9	9	5	4

During the year there were two tenant Board Members (2005, two) whose tenancies were on normal terms.

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)**

**9. EMPLOYEES**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year:</b>				
Wages and salaries	5,702	5,351	1,287	1,167
Social Security costs	531	493	132	117
Other pension costs	449	412	121	117
	<u>6,682</u>	<u>6,256</u>	<u>1,540</u>	<u>1,401</u>

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
The average number of persons employed during the year	<u>324</u>	<u>309</u>	<u>53</u>	<u>52</u>

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
The average full time equivalent number of persons employed during the year	<u>276</u>	<u>265</u>	<u>47</u>	<u>46</u>

**10. AUDITORS' REMUNERATION**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The remuneration of the auditors (including Expenses and VAT)				
Audit services	32	38	13	18
Other services	-	4	-	2
	<u>32</u>	<u>42</u>	<u>20</u>	<u>20</u>

**11. TAXATION**

Link Group Limited has charitable status for taxation purposes. In the year to 31 March 2006 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:-

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Corporation tax on the results for the year	-	-
Under / (Over) provision in previous year	-	-
	<u>-</u>	<u>-</u>

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)****12. HOUSING STOCK – LINK GROUP****Analysis of Housing Stock by Accommodation Type**

	<b>Units in Management</b>		<b>Units Under Development</b>	
	<b>31 March 2006 Units</b>	<b>31 March 2005 Units</b>	<b>31 March 2006 Units</b>	<b>31 March 2005 Units</b>
Housing accommodation for letting	5,240	5,051	250	138
Supported accommodation	104	115	25	26
Shared Ownership accommodation	483	506	58	30
Total units in management	<u>5,827</u>	<u>5,672</u>	<u>333</u>	<u>194</u>

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

<b>Organisation</b>	<b>Units</b>	
	<b>31 March 2006 Units</b>	<b>31 March 2005 Units</b>
The Action Group	-	2
Barony Housing Association	-	11
Penumbra	1	1
Stirling University	89	85
Kintry	190	190
Key Housing Association	-	14
Others	8	29
	<u>288</u>	<u>332</u>

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)

#### 13. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – LINK GROUP LTD AND 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	2006 Total £'000	2005 Total £'000
<b>Cost</b>						
At 1 April 2005	192,007	19,446	10,346	40	221,839	211,969
Transfer of Engagements	-	-	-	-	-	-
Additions	3,214	153	14,577	1,040	18,984	13,394
Transfers	13,629	(288)	(13,629)	288	-	-
Disposals - initial tranches	-	1	-	(294)	(293)	(334)
- other sales	(7,929)	(937)	-	-	(8,866)	(3,190)
<b>At 31 March 2006</b>	<b>200,921</b>	<b>18,375</b>	<b>11,294</b>	<b>1,074</b>	<b>231,664</b>	<b>221,839</b>
<b>Depreciation</b>						
At 1 April 2005	5,145	611	-	-	5,756	4,663
Transfer of Engagements	-	-	-	-	-	-
Provided during the year	1,173	98	-	-	1,271	1,158
On Disposals	(22)	(50)	-	-	(72)	(65)
<b>At 31 March 2006</b>	<b>6,296</b>	<b>659</b>	<b>-</b>	<b>-</b>	<b>6,955</b>	<b>5,756</b>
<b>Depreciated Cost</b>	<b>194,625</b>	<b>17,716</b>	<b>11,294</b>	<b>1,074</b>	<b>224,709</b>	<b>216,083</b>
<b>Housing Association Grant</b>						
At 1 April 2005	134,915	13,996	4,629	38	153,578	147,890
Transfer of Engagements	-	-	-	-	-	-
Additions	1,024	579	9,041	67	10,711	7,284
Transfers	5,745	140	(5,885)	-	-	-
Repaid and abated during year	(6,130)	(627)	-	-	(6,757)	(1,596)
<b>At 31 March 2006</b>	<b>135,554</b>	<b>14,088</b>	<b>7,785</b>	<b>105</b>	<b>157,532</b>	<b>153,578</b>
<b>Other Capital Grants</b>						
At 1 April 2005	2,279	14	40	-	2,333	2,299
Transfer of Engagements	-	-	-	-	-	-
Additions	30	-	30	-	60	34
Transfers	-	-	-	-	-	-
Repaid and abated during year	-	-	-	-	-	-
<b>At 31 March 2006</b>	<b>2,309</b>	<b>14</b>	<b>70</b>	<b>-</b>	<b>2,393</b>	<b>2,333</b>
<b>Net Book Value at 31 March 2006</b>	<b>56,762</b>	<b>3,614</b>	<b>3,439</b>	<b>969</b>	<b>64,784</b>	<b>60,172</b>
<b>Net Book Value at 31 March 2005</b>	<b>49,668</b>	<b>4,825</b>	<b>5,677</b>	<b>2</b>	<b>60,172</b>	

Development administration costs capitalised amounted to £179,212 (2005 - £306,048) for which Housing Association Grant amounting to £169,862 (2005 - £292,907) was received in the year.

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)**

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

	<b>Heritable Office Property £'000</b>	<b>Equipment £'000</b>	<b>Vehicles £'000</b>	<b>2006 Total £'000</b>	<b>2005 Total £'000</b>
<b>Cost</b>					
At 1 April 2005	2,043	883	95	3,021	2,643
Additions	22	135	-	157	438
Disposals	-	(64)	(7)	(71)	(60)
<b>At 31 March 2006</b>	<b>2,065</b>	<b>954</b>	<b>88</b>	<b>3,107</b>	<b>3,021</b>
<b>Depreciation</b>					
At 1 April 2005	767	482	40	1,289	1,089
Provided during the year	66	168	17	251	260
On Disposals	-	(62)	(7)	(69)	(60)
<b>At 31 March 2006</b>	<b>833</b>	<b>588</b>	<b>50</b>	<b>1,471</b>	<b>1,289</b>
<b>Net Book Value at 31 March 2006</b>	<b>1,232</b>	<b>366</b>	<b>38</b>	<b>1,636</b>	<b>1,732</b>
<b>Net Book Value at 31 March 2005</b>	<b>1,276</b>	<b>401</b>	<b>55</b>	<b>1,732</b>	

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

	<b>Heritable Office Property £'000</b>	<b>Equipment £'000</b>	<b>Vehicles £'000</b>	<b>2006 Total £'000</b>	<b>2005 Total £'000</b>
<b>Cost</b>					
At 1 April 2005	2,043	853	23	2,919	2,643
Additions	22	130	-	152	336
Disposals	-	(62)	(7)	(69)	(60)
<b>At 31 March 2006</b>	<b>2,065</b>	<b>921</b>	<b>16</b>	<b>3,002</b>	<b>2,919</b>
<b>Depreciation</b>					
At 1 April 2005	767	475	15	1,257	1,089
Provided during the year	66	160	2	228	228
On Disposals	-	(62)	(7)	(69)	(60)
<b>At 31 March 2006</b>	<b>833</b>	<b>573</b>	<b>10</b>	<b>1,416</b>	<b>1,257</b>
<b>Net Book Value at 31 March 2006</b>	<b>1,232</b>	<b>348</b>	<b>6</b>	<b>1,586</b>	<b>1,662</b>
<b>Net Book Value at 31 March 2005</b>	<b>1,276</b>	<b>378</b>	<b>8</b>	<b>1,662</b>	

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)

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#### 15. INVESTMENTS

At 31 March 2006 Link Group Limited 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 Property Limited	50,000 £1 shares	£50,000	Property management services
Link Real Estate Limited	100 £1 shares	£1	Dormant company

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

The issued share capital of Link Property Limited is 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 to 31 March 2006.

At 31 March 2006 Linkwide Limited held 100% share capital of the following subsidiary undertakings

Company	Authorised Share Capital	Issued Share Capital	Principal Activity
Link Homes (2001) Limited	50,000 £1 shares	£50,000	Developing housing for sale
Linkwide Trading (West) Limited	Limited by Guarantee	N/A	Providing locally community based concierge services and training placements

During the year Linkwide acquired the issued share capital of Link Homes (2001) Limited and held at cost within Linkwide Limited.

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

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)**

**15. INVESTMENTS (continued)**

	<b>Shares in Group Undertakings 2006 £</b>	<b>Shares in Group Undertakings 2005 £</b>
<b>Cost</b>		
At 1 April 2005 and 31 March 2006	<u>150,000</u>	<u>150,000</u>
<b>Amounts Written Down</b>		
At 1 April 2005 and 31 March 2006	<u>(50,000)</u>	<u>(50,000)</u>
<b>Shares Redeemed during the year</b>		
Link Homes (2001) Limited	<u>(50,000)</u>	<u>-</u>
<b>Net Book Value At 1 April 2005 and 31 March 2006</b>	<u><u>50,000</u></u>	<u><u>100,000</u></u>

**16. WORK IN PROGRESS**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 April 2005</b>	1,644	914	-	-
Expenditure on development properties	296	2,518	-	-
Grants received from Communities Scotland	(145)	-	-	-
Cost of disposals transferred to Cost of Sales	(1,795)	(1,788)	-	-
<b>At 31 March 2006</b>	<u><u>-</u></u>	<u><u>1,644</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)****17. DEBTORS**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Arrears of rent and service charges	987	1,248	930	996
Less: Provision for bad and doubtful debts	(344)	(557)	(323)	(477)
HAG receivable	706	2,964	706	2,964
Revenue Grants receivable	-	-	-	-
Homestake	1,327	-	-	-
Other debtors (less provision £25,949 2005 - £46,735)	371	409	40	30
Prepayments	259	233	112	72
Due from subsidiaries	-	-	776	1,739
	<b>3,306</b>	<b>4,297</b>	<b>2,241</b>	<b>5,324</b>

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 £60m (see note 19). The amount advanced under this facility was £nil at 31 March 2006 (2005 £945,479).

**18. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Housing loans - current instalments due	-	-	-	-
Homestake	1,441	-	-	-
Trade and other creditors	3,874	3,110	3,269	2,223
Taxation and Social Security	166	920	166	920
Pension Contributions	55	53	55	53
Accruals	1,183	1,062	701	234
Rents in advance	593	610	513	529
Amounts Owed to Group Undertakings	-	-	903	617
	<b>7,312</b>	<b>5,755</b>	<b>5,607</b>	<b>4,576</b>

Included in Trade and Other Creditors is an amount of £775,000 (2005, £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 2006 (Continued)****19. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Housing Loans</b>				
<b>Fixed Rate</b>				
Advanced by Banks	24,700	24,700	24,700	24,700
<b>Variable Rate</b>				
Advanced by Banks	13,300	13,300	13,300	13,300
	<u>38,000</u>	<u>38,000</u>	<u>38,000</u>	<u>38,000</u>

The Association has a loan facility of £60m, of which £38m had been drawn down as at 31 March 2006 (2005 - £38m) and £22m 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 2006 was charged at interest rates between 4.9391% and 7.411% (2005 - between 4.6193% and 7.411%).

**Analysis of Maturity of Debt**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Amounts Repayable:</b>				
In one year or less, or on demand	-	-	-	-
Between one and two years	-	50	-	50
Between two and five years	-	600	-	600
	-	<u>650</u>	-	<u>650</u>
In five years or more	38,000	37,350	38,000	37,350
	<u>38,000</u>	<u>38,000</u>	<u>38,000</u>	<u>38,000</u>

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)****20. SHARE CAPITAL**

	<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>
	<b>No.</b>	<b>No.</b>
Shares of £1 each fully paid and issued		
At beginning of the year	188	175
Shares issued during the year	6	13
Shares surrendered during the year	-	-
Shares of £1 each fully paid at end of the year	194	188

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

	<b>2006</b>	<b>2005</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2005	16,056	15,960
From Income and Expenditure Account	3,957	3,841
To Income and Expenditure Account	(3,828)	(3,745)
At 31 March 2006	16,185	16,056

**22. NEGATIVE GOODWILL – CONSOLIDATED AND LINK GROUP LIMITED**

	<b>2006</b>	<b>2005</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2005	6,022	6,423
Amortised during the year	(401)	(401)
At 31 March 2006	5,621	6,022

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

**23a. REVENUE RESERVES - CONSOLIDATED**

	<b>2006</b>	<b>2005</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2005	6,900	6,029
Surplus in the year	672	967
Transfer to designated reserves	(129)	(96)
At 31 March 2006	7,443	6,900

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)****23b. REVENUE RESERVES – LINK GROUP LIMITED**

	<b>2006</b>	<b>2005</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1 April 2005	6,568	5,764
Surplus in the year	738	900
Transfer to designated reserves	(129)	(96)
At 31 March 2006	<u>7,177</u>	<u>6,568</u>

**24. CAPITAL COMMITMENTS**

At 31 March 2006 authorised and contracted commitments outstanding amounted to approximately £14m for Link Group Limited and the group (2005, £8m).

**25. 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.

**26. OBLIGATIONS UNDER LEASES**

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

<b>CONSOLIDATED</b>	<b>2006</b>		<b>2005</b>	
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Operating leases which expire:</b>				
Within one year	5	19	5	-
In the second to fifth year inclusive	-	32	-	47
Over five years	161	-	137	-
	<u>166</u>	<u>51</u>	<u>142</u>	<u>47</u>
 <b>LINK GROUP LIMITED</b>				
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Operating leases which expire:</b>				
Within one year	5	19	5	-
In the second to fifth year inclusive	-	27	-	43
Over five years	161	-	137	-
	<u>166</u>	<u>46</u>	<u>142</u>	<u>43</u>

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)**

**27. RECONCILIATION OF SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITY**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Operating surplus	2,775	2,584	2,855	2,569
Depreciation charges	1,522	1,417	1,499	1,386
Release of negative goodwill	(401)	(401)	(401)	(402)
(Decrease)/increase in creditors	1,614	1,204	1,042	978
Decrease/(increase) in debtors	(1,229)	593	861	(65)
Decrease in work in progress	1,643	(729)	-	-
Decrease in loans (current liabilities)	-	-	-	-
Net Cash Inflow from Operating Activities	5,924	4,668	5,856	4,466

**28. GROSS CASH FLOWS**

	<b>Consolidated</b>		<b>Link Group Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>(a) Returns on Investments and Servicing of Finance</b>				
Interest received	198	310	206	303
Interest paid	(2,439)	(2,292)	(2,440)	(2,293)
	(2,241)	(1,982)	(2,234)	(1,990)

**(b) Capital Expenditure**

Sales proceeds of housing accommodation held for disposal	293	334	293	334
Acquisition and construction of housing Properties	(19,487)	(12,839)	(19,487)	(12,839)
Purchase of other fixed assets	(211)	(383)	(161)	(328)
Capital grants received	13,028	5,357	13,028	5,357
Grants repaid	(4,050)	(1,411)	(4,050)	(1,411)
Sale proceeds of housing properties	6,691	2,734	6,720	2,691
Sale proceeds of other fixed assets	-	-	-	-
	(3,736)	(6,208)	(3,657)	(6,196)

**(c) Acquisitions and Disposals**

	-	-	-	-
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**(d) Financing**

Loan advances received - housing	-	-	-	-
Loans redeemed - housing	-	(2,000)	-	(2,000)
Loan principal repayments - Housing	-	-	-	-
	-	(2,000)	-	(2,000)

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)****29a. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT - CONSOLIDATED**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Increase in cash in the period	(53)	479
Cash (inflow)/outflow from increase/decrease in debt	-	2,000
Cash outflow/(inflow) from increase/(decrease) in liquid resources	-	(6,000)
Change in net debt resulting from cash flows	<u>(53)</u>	<u>(3,521)</u>
<b>Movement in net debt in the period</b>	<u>(53)</u>	<u>(3,521)</u>
<b>Net debt at 1 April 2005</b>	<u>(33,112)</u>	<u>(29,591)</u>
<b>Net debt at 31 March 2006</b>	<u><u>(33,165)</u></u>	<u><u>(33,112)</u></u>

**29b. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
LINK GROUP LIMITED**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Decrease in cash in the period	(35)	280
Cash (inflow)/outflow from increase/decrease in debt	-	2,000
Cash outflow/(inflow) from increase/(decrease) in liquid resources	-	(6,000)
Change in net debt resulting from cash flows	<u>(35)</u>	<u>(3,720)</u>
<b>Movement in net debt in the period</b>	<u>(35)</u>	<u>(3,720)</u>
<b>Net debt at 1 April 2005</b>	<u>(34,036)</u>	<u>(30,316)</u>
<b>Net debt at 31 March 2006</b>	<u><u>(34,071)</u></u>	<u><u>(34,036)</u></u>

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)****30a. ANALYSIS OF NET DEBT - CONSOLIDATED**

	<b>At 1 April 2005 £'000</b>	<b>Cash Flows £'000</b>	<b>At 31 March 2006 £'000</b>
Cash at bank	4,888	(53)	4,835
Debt due after one year	(38,000)	-	(38,000)
Debt due within one year	-	-	-
Liquid resources	-	-	-
	<u>(33,112)</u>	<u>(53)</u>	<u>(33,165)</u>

**30b. ANALYSIS OF NET DEBT - LINK GROUP LIMITED**

	<b>At 1 April 2005 £'000</b>	<b>Cash Flows £'000</b>	<b>At 31 March 2006 £'000</b>
Cash at bank	3,964	(35)	3,929
Debt due after one year	(38,000)	-	(38,000)
Debt due within one year	-	-	-
Liquid resources	-	-	-
	<u>(34,036)</u>	<u>(35)</u>	<u>(34,071)</u>

**31. PENSIONS****Defined Contribution Scheme**

163 members of staff are members of the Link Group personal pension scheme (2005, 156), 34 of whom are employed by Link Group Ltd (2005, 35). 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 2006 amounted to £385,027 (2005, £358,705), £112,003 of which were made in relation to Link Group Ltd staff (2005, £104,296).

**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 LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006 (Continued)

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#### 31. PENSIONS (continued)

Link Group paid contributions at the rate of 14%, amounting to £57,018 (2005, £53,029) during the accounting period for 11 members of staff (2005, 16), of which £7,175 (2005, £11,440) related to 1 member of Link Group Ltd staff (2005, 3). Member contributions were 7% in the year to 31 March 2006. 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 FRS17 represents the employer's 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 (including Link Group Limited) 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 debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Link Group Limited understands that the Scheme Actuary will calculate potential employer debt figures, as at 30 September 2006, for each employer participating in the SFHA Pension Scheme as part of the next actuarial valuation process.

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