

**LINK GROUP LIMITED**



**LINKGROUP**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED**

**31 MARCH 2008**

**Industrial Provident Society and Financial  
Services Authority Registration No: 1481R(S)  
Scottish Charity No: SC001026  
The Housing Regulator No: HAL 148**

**LINK GROUP LIMITED**

**REPORTS AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008**

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Contents:

Page Number

1. Board of Management, Directors and Advisers
2. – 6. Report of the Board of Management
7. – 9. Board Statement on Internal Financial Controls
10. Statement of Responsibilities of the Board of Management
11. – 12. Report of the Auditors
13. Consolidated Income and Expenditure Account
14. Link Group Limited Income and Expenditure Account
15. Consolidated Balance Sheet
16. Link Group Limited Balance Sheet
17. Consolidated Cash Flow Statement
18. Link Group Limited Cash Flow Statement
19. – 46. Notes to the Accounts

**LINK GROUP LIMITED**

**BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS**

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**BOARD OF MANAGEMENT**

|                                       |  |
|---------------------------------------|--|
| R Robertson (Chairman)                | J O'Neill                              |
| P Foreman (Vice-Chairman)             | M Sibbald                              |
| T Clark                               | D Sievwright (Deceased September 2007) |
| W Hayhurst                            | P Stephen-Samuels (Resigned June 2008) |
| J Hinton                              | E Banks (Appointed June 2008)          |
| C Macneill                            | A Colston (Appointed June 2008)        |
| D McMillan (Appointed September 2007) | D Esslemont (Appointed June 2008)      |
| S Leask                               |  |

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**CHIEF EXECUTIVE AND DIRECTORS**

|  |               |
|--|---------------|
| Chief Executive                                      | C Sanderson   |
| Director of Finance and Corporate Services/Secretary | J N Hall      |
| Asset Management Director                            | C Culross     |
| Director of Human Resources                          | H Bayne       |
| Director of Customer Services                        | M B Middleton |
| Director of Housing Support Services                 | E Johnston    |
| Director of Community Regeneration                   | B Higgins     |
| Consultant   | J Pollock     |

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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**

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Edinburgh  
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**WEB SITE**

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**E-MAIL**

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## **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 2008.

#### **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 £2M (2007, £0.9M). The increase in the surplus for the year was due mainly to an increased Gain on Disposal of Properties and in particular the gain arising on the sale of the Association’s former head office premises at Albany Street, Edinburgh.

Turnover and Operating Costs increased by approximately 10% and 11%, to £18.1M and £15.4M, respectively, resulting in an increase in the Operating Surplus from £2.6M to £2.7M. Included in Operating Costs is expenditure on Planned and Cyclical Maintenance and Major Repairs, the cost of which was £5.2M in 2008 (2007, £4.2M).

Annual expenditure on 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.

Link’s investment in planned maintenance and major repairs will ensure that it meets the Scottish Housing Quality Standard by 2015. The investment programme will itself be influenced by Link’s Asset Management Strategy which, in this regard, will focus on when it will be appropriate to carry out whole refurbishment of properties and/or consider other re-development opportunities, rather than a continual cycle of building component replacement.

Despite the significant Planned Maintenance investment in its stock, Link is required by the Statement of Recommended Practice to depreciate its Housing Properties and Retained Surpluses are calculated after providing for Depreciation of £1.4M in 2008 (2007, £1.4M)

At 31 March 2008 Link’s total reserves amounted to £35.1M, an increase of £5.6M from 2007. The increase in reserves was mainly in respect of the Retained Surplus for the Year and the reserves acquired by Link following the Transfer of Engagements of Blythswood Housing Association. 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 £35.1M of total reserves, the Designated Reserve for Future Maintenance amounted to £16.4M (2007, £16.2M).

Through one of the group subsidiaries, Link Homes (2001) Limited, Link has continued to participate in an initiative designed to assist first-time buyers on low incomes in Edinburgh through providing Homestake Grants. The grants are repayable when the property is sold and are repaid in proportion to the original purchase price, by reference to the value of the property when ultimately sold. The grant repayment is returned via Link to the Scottish Government. The cumulative grants received and paid out to successful Homestake applicants amounted to approximately £23M at 31 March 2008. In the consolidated balance sheet these grants awarded and received are included in Debtors and Creditors respectively.

The consolidated results of the group reflect the results of the subsidiary companies and the total retained surplus of the group amounted to £2.1M (2007, £0.7M). The Board welcomes the positive contribution by the subsidiaries.

## **LINK GROUP LIMITED**

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

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#### **Investment and Financing**

During the year Link invested £8.1M (2007, £14.8M) 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 £4.1M (2007, £7.4M) with the balance funded by loans drawn under the syndicated loan facility.

At March 2008 Link had drawn down £49M of its arranged £55M Royal Bank of Scotland syndicated loan facility. To finance its development programme Link will draw down the remaining £6M and will arrange additional loan facilities, estimated to be in the region of £10M, based on the anticipated development programme over the next five years. Under link's Treasury Management policy Link aims to maintain approximately 60% to 70% of its borrowings on fixed interest rates, maturing over a rolling period, as a hedge against adverse movements in variable interest rates. During the year the Board agreed to place loans on fixed interest rates which resulted in 71% of Link current borrowings being on fixed interest rates

Link has a strong balance sheet, which places it in a favourable position to invest in its housing stock. Over the next two to three years Link will invest approximately £10M in the re-development of housing properties as part of a major regeneration programme

Link's housing stock was valued during 2006/07. In addition to stock required as security for its borrowings, Link has over £45M of housing stock available to be used as security for future borrowing (the housing stock is valued on an Existing Use Basis – Social Housing and reflects the value of the net rental stream over a 30-year period taking account of management costs and all projected repairs required). Link's current development programme will be financed from the existing loan facility and therefore when completed these properties will also be available as security for future borrowings. The estimated Existing Use value of these properties is approximately £25M.

Link has a continuing, substantial investment programme. In addition to the £10M investment in re-development, £5M has been identified for investment in acquiring housing sites to safeguard future housing supply. Link's target is to complete approximately 150 properties per annum for rent and low cost home ownership/shared ownership over the 5-year business plan period 2008/09 to 2012/13. The current development programme will generate 472 properties in the five-year period and this requires a capital investment of £55.8M, funded by a mix of grants, loans and from internal resources.

#### **Operating Performance**

Link's Customer Service Centre operates from office premises in Callendar Business Park, Falkirk. The Customer Service Centre consolidates service delivery and centralises administrative functions relating to housing and maintenance services, allowing area office staff more time to operate directly in the community.

During the year Link continued to perform well in terms of Key Financial Performance Indicators. Results from The Scottish Housing Regulator's statistical analysis for all Registered Social Landlords (RSLs) for 2006/07 demonstrated that Link's voids (as a percentage of rent receivable) were 0.5% compared to 1.9% for all RSLs and to the median result of 0.8%.

Total rent arrears (as a percentage of rent receivable) were 5.1% compared to the all RSL result of 6.1% and the median result of 5.1%. In addition the percentage of re-lets achieved within 4 weeks was 87% compared to the all RSL result of 53% (median 56%) and the average relet times was 17 days compared to the all RSL result of 51 days (median 26 days). Link's 2007/08 results continue to reflect excellent performance with voids at 0.5% of rent receivable and gross arrears at 5.1% and net arrears at 3.4% (net of bad debt provision)

The Board is satisfied that Link performs well compared to its peers and also compared to all RSLs generally. In addition the Board has monitored Link's financial performance against key indicators and is confident that not only has Link performed well but also has more than comfortably achieved lending covenants.

## **LINK GROUP LIMITED**

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

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In November 2007 Link relocated its head office from Albany Street in central Edinburgh to new offices in New Mart Road in the Chesser area of Edinburgh. The proceeds from the sale of the Albany Street offices were re-invested in the purchase of the offices at New Mart Road.

#### **Group Strategy**

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.

In the 2007/08 business plan Link has focused on targets related to growth of the organisation not only in terms of units and services provided but also in improving service delivery. Link has committed substantial resources in the business plan to expanding the development programme, attracting other RSLs to join the group and maximising procurement efficiencies. In the business plan Link has re-affirmed its commitment to ensure continued development of efficient, quality services. In addition Link has committed resources to support subsidiaries to expand and diversify their service provision.

During the year Link accepted Transfers of Engagements of two housing associations, Port Glasgow Housing Association (operating in Inverclyde) and Blythswood Housing Association (operating in Paisley). The Transfer of Engagements process vests all the assets and liabilities of the transferring organisation in the receiving organisation. In the case of Port Glasgow and Blythswood 235 and 154 properties (including 4 commercial units) respectively transferred to Link and the accounting entries are summarised in Note 24 to the accounts. In addition Link welcomed 35 new shareholding members from Port Glasgow and 21 from Blythswood.

Also during the year Link was selected by Linstone Housing Association as its preferred partner. Link and Linstone signed a Joint Statement of Intent which anticipates Linstone joining the group during 2008/09. Linstone operates in Renfrewshire and has approximately 1600 tenanted properties under management.

#### **Group Structure**

Link Group Limited has charitable status and is a Registered Social Landlord (regulated by The Scottish Housing Regulator – formerly 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.

Larkfield Housing Association is currently the only other Registered Social Landlord in the group. As a RSL subsidiary Larkfield has retained its assets, name and identity. Link has the power to appoint the majority of the Management Committee members and the circumstances where Link would exercise that power is dealt with in the Independence Agreement which governs the relationship between Link and Larkfield.

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

Each subsidiary has entered into an Independence Agreement with Link Group Limited. 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 processes and procedures each party will conform to and the basis upon which services will be provided between the parties.

## **LINK GROUP LIMITED**

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

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#### **Business Outlook**

Link has a strong development programme and is committed to both growth in its services to customers and through attracting other RSLs to join the group. The financial outlook is however more uncertain than at this time last year since, as a result of the “credit crunch”, fewer lenders have either the appetite or resources to lend to RSLs. Link has, however, a strong relationship with its two main lenders, RBS and Lloyds TSB and initial discussions indicate that Link will be able to access additional loan funding to complete its development programme although the loan margin charged will almost certainly be higher than current lending margins.

In 2007 the Scottish Government published a Green Paper, “Firm Foundations” which consulted about potentially radical changes to the current grant system with the aim of increasing the supply of social housing. Link generally welcomed the proposals and intends to become one of the forecast lead developers in the new grant regime although details about the implementation of Firm Foundations have yet to be finalised.

Although there is some uncertainty about the way in which RSLs in Scotland will develop and the potential availability of loan finance, Link’s core housing business is not compromised. Investment in the existing housing stock continues to be financed by current rents and reserves and high quality services to tenants will continue to be delivered.

One of Link’s subsidiaries (LinkLiving) which provides care and support services for the group is challenged by cuts in Supporting People grant funding. During the year Link Group Limited and LinkLiving agreed a strategy to review the operating cost base of the support services and the aim of the strategy is to substantially reduce the deficit incurred by LinkLiving from 2009/10 onwards.

Link continues to be involved in new initiatives and during the year Link won the tender to deliver the revised shared equity schemes (formerly Homestake) called Low Cost Initiative for First Time Buyers (LIFT) on behalf of the Scottish Government in Edinburgh and the Lothians and in Stirling, Perth and Kinross.

#### **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 2008 stood at 11 members and, at the date of this report, 13 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.

#### **Equality and Diversity**

Link has an Equality and Diversity staff working group and during the year the staff group produced an updated Equality and Diversity Policy which was welcomed by the Board. All staff attend training in Equality and Diversity.

#### **Employee Involvement**

Throughout the group Link employed, on average, 361 staff (of whom 41 staff are employed by Link Group Limited) during the year, most of whom are full time and based at offices in Edinburgh, Falkirk, Glasgow 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. Link Group Limited and all members of the group are accredited Investors in People.

#### **Auditors**

A resolution to re-appoint Scott-Moncrieff as Auditors of the association will be proposed at the Annual General Meeting to be held on 2nd September 2008.

**LINK GROUP LIMITED**

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

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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

8 July 2008

## **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:-

#### **Corporate Governance**

During the year the Board adopted the Regulatory Code of Governance published by the Scottish Housing Regulator. In addition the Board undertook the Regulator's recommended self-assessment exercise over a series of Board meetings. The Board was satisfied that Link complied with the Regulatory Code of Governance.

#### **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. Link's sub committees meet either immediately before or after Board meetings and on average each Sub-Committee is scheduled to meet four times a year. The following are the Sub-Committees of the Board:

- Audit Committee
- Risk Management Committee
- Nominations Committee
- Remuneration Committee

The remit of the Sub-Committees is further described later in this statement.

#### **Policies**

Link has up to date policies in place for all areas of the business. The Strategy, Planning and Risk Manager coordinates the policy review process and during the year the Board approved a number of revised/updated policies in accordance with the policy review timetable. All Link policies are available to staff through the intranet. Link also publishes customer related policies on its web page.

#### **Procedures Manuals**

Responsibility levels are set out for the Group in detailed procedures manuals. These procedures manuals 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. In addition Link operates a performance management framework incorporating mid-year and annual appraisals and setting a training and development plan for all staff. 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.

## **LINK GROUP LIMITED**

### **BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (continued)**

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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.

#### **Internal Audit**

Internal Audit services are provided by an experienced Internal Audit company. 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 up to six members and its role is to oversee a detailed risk assessment of development projects and major business changes as identified by the Board. The Committee advise the Board of the risks (short, medium and long-term) associated with proposed development projects and the risk assessment of major business changes. 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.

#### **Audit Committee**

The Audit Committee has up to 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 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.

#### **Remuneration Committee**

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

## **LINK GROUP LIMITED**

### **BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (continued)**

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#### **Nominations Committee**

The Nominations Committee has up to five members and is responsible for reviewing the skills and experience of the various Boards and Committees throughout the group to ensure Link has the best mix of skills and abilities required to manage the business. The Committee is also responsible for overseeing Board Member induction and ongoing training and development of Board Members.

#### **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 oversees Link's risk assessment programme and regularly reviews the policy. Link's full-time Health and Safety Officer works closely with the Health and Safety Committee.

#### **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**

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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 2008 set out on pages 13 to 46. These financial statements have been prepared under the accounting policies set out 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, the Industrial and Provident Societies (Group Accounts) Regulations 1969, Schedule 7 the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. 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 Members' remuneration and other transactions is not disclosed.

We read the Management Committee Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **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.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the consolidated statement of affairs and the state of affairs of the association at 31 March 2008 and of the income and expenditure for the year then ended and have been properly prepared in accordance with the Industrial and Provident Society Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**LINK GROUP LIMITED**

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

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**Corporate Governance Matters**

In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 7 to 9 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 7 to 9, 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

8 July 2008

**LINK GROUP LIMITED****CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 MARCH 2008**

|   | Notes | 2008<br>£'000 | 2007<br>£'000   |                 |
|---|-------|---------------|-----------------|-----------------|
| <b>Turnover</b>                             | 3a    |               | 24,050          | 21,683          |
| <b>Less:</b>                                |       |               |                 |                 |
| Operating Costs                             | 3a    | (20,890)      |                 | (19,266)        |
| Cost of Sales                               | 3a    | <u>-</u>      |                 | <u>46</u>       |
| <b>Operating Surplus</b>                    | 3a    |               | <u>(20,890)</u> | <u>(19,220)</u> |
|   |       |               | 3,160           | 2,463           |
| Interest receivable                         |       |               | 254             | 138             |
| Interest payable                            | 7     |               | (3,232)         | (2,490)         |
| Gain on Disposal of Properties              |       |               | <u>1,960</u>    | <u>584</u>      |
| <b>Surplus for the year before taxation</b> |       |               | 2,142           | 695             |
| Corporation Tax                             | 11    |               | <u>-</u>        | <u>-</u>        |
| <b>Surplus for the year after taxation</b>  |       |               | <u>2,142</u>    | <u>695</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 19 to 46 form part of these accounts.

**LINK GROUP LIMITED****LINK GROUP LIMITED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 MARCH 2008**

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|                                | <b>Notes</b> | <b>2008<br/>£'000</b> | <b>2007<br/>£'000</b> |
|--------------------------------|--------------|-----------------------|-----------------------|
| <b>Turnover</b>                | 3b           | 18,149                | 16,464                |
| <b>Less: Operating Costs</b>   | 3b           | <u>(15,421)</u>       | <u>(13,848)</u>       |
| <b>Operating Surplus</b>       | 3b           | <u>2,728</u>          | <u>2,616</u>          |
| Interest receivable            |              | 227                   | 120                   |
| Interest payable               | 7            | (2,854)               | (2,361)               |
| Gain on Disposal of Properties | 6            | <u>1,919</u>          | <u>569</u>            |
| <b>Surplus for the year</b>    |              | <u><u>2,020</u></u>   | <u><u>944</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 19 to 46 form part of these accounts.

**LINK GROUP LIMITED****CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008**

|  | Notes | 2008<br>£'000   | 2007<br>£'000   |
|--|-------|-----------------|-----------------|
| <b>Tangible Fixed Assets</b>                                   |       |                 |                 |
| Housing Properties - Depreciated Cost                          | 13a   | 243,456         | 233,224         |
| Less: Social Housing Grants                                    | 13a   | (161,782)       | (157,020)       |
| Other Public Grants  | 13a   | <u>(2,398)</u>  | <u>(2,393)</u>  |
|  |       | 79,276          | 73,811          |
| Other Fixed Assets   | 14a   | 7,955           | 5,145           |
| Investments  | 15    | -               | -               |
|  |       | <u>87,231</u>   | <u>78,956</u>   |
| <b>Current Assets</b>  |       |                 |                 |
| Work in Progress   | 16    | 560             | 33              |
| Debtors  | 17    | 25,118          | 15,895          |
| Cash at bank and in hand                                       |       | <u>9,810</u>    | <u>2,860</u>    |
|  |       | 35,488          | 18,788          |
| <b>Creditors: amounts falling due within one year</b>          | 18    | <u>(29,170)</u> | <u>(17,952)</u> |
| <b>Net Current Assets</b>                                      |       | <u>6,318</u>    | <u>836</u>      |
| <b>Total Assets Less Current Liabilities</b>                   |       | 93,549          | 79,792          |
| <b>Creditors: amounts falling due after more than one year</b> | 19    | <u>(57,037)</u> | <u>(48,936)</u> |
| <b>Net Assets</b>  |       | <u>36,512</u>   | <u>30,856</u>   |
| <b>Capital and Reserves</b>                                    |       |                 |                 |
| Share Capital  | 20    | -               | -               |
| Designated Reserve   | 21    | 16,396          | 16,196          |
| Negative Goodwill  | 22    | 4,819           | 5,220           |
| Revenue Reserve  | 23a   | <u>15,297</u>   | <u>9,440</u>    |
|  |       | <u>36,512</u>   | <u>30,856</u>   |

Authorised for issue by the Board of Management on 8 July 2008 and signed on its behalf by:-

Board Member

Board Member

J N Hall, Secretary

The notes on pages 19 to 46 form part of these accounts.

**LINK GROUP LIMITED****LINK GROUP LIMITED BALANCE SHEET AS AT 31 MARCH 2008**

|  | Notes | 2008<br>£'000   | 2007<br>£'000   |
|--|-------|-----------------|-----------------|
| <b>Tangible Fixed Assets</b>                                   |       |                 |                 |
| Housing Properties - Depreciated Cost                          | 13b   | 236,975         | 226,439         |
| Less: Social Housing Grants                                    | 13b   | (161,782)       | (157,020)       |
| Other Public Grants  | 13b   | <u>(2,398)</u>  | <u>(2,393)</u>  |
|  |       | 72,795          | 67,026          |
| Other Fixed Assets   | 14b   | 7,725           | 4,839           |
| Investments  | 15    | <u>50</u>       | <u>50</u>       |
|  |       | <u>80,570</u>   | <u>71,915</u>   |
| <b>Current Assets</b>  |       |                 |                 |
| Debtors  | 17    | 2,328           | 4,565           |
| Cash at bank and in hand                                       |       | <u>8,458</u>    | <u>1,453</u>    |
|  |       | 10,786          | 6,018           |
| <b>Creditors: amounts falling due within one year</b>          | 18    | <u>(5,015)</u>  | <u>(5,407)</u>  |
| <b>Net Current Assets</b>                                      |       | <u>5,771</u>    | <u>611</u>      |
| <b>Total Assets Less Current Liabilities</b>                   |       | 86,341          | 72,526          |
| <b>Creditors: amounts falling due after more than one year</b> | 19    | <u>(51,257)</u> | <u>(43,000)</u> |
| <b>Net Assets</b>  |       | <u>35,084</u>   | <u>29,526</u>   |
| <b>Capital and Reserves</b>                                    |       |                 |                 |
| Share Capital  | 20    | -               | -               |
| Designated Reserve   | 21    | 16,396          | 16,196          |
| Negative Goodwill  | 22    | 4,819           | 5,220           |
| Revenue Reserve  | 23b   | <u>13,869</u>   | <u>8,110</u>    |
|  |       | <u>35,084</u>   | <u>29,526</u>   |

Authorised for issue by the Board of Management 8 July 2008 and signed on its behalf by:-

Board Member

Board Member

J N Hall, Secretary

The notes on pages 19 to 46 form part of these accounts

**LINK GROUP LIMITED****CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008**

|   | <b>Notes</b> | <b>2008<br/>£'000</b> | <b>2007<br/>£'000</b> |
|---|--------------|-----------------------|-----------------------|
| <b>Net cash inflow from operating activities</b>                          | 28           | 4,611                 | 2,805                 |
| <b>Returns on investments and servicing of finance</b>                    | 29a          | (2,962)               | (2,513)               |
| <b>Taxation</b>   |              | -                     | -                     |
| <b>Capital expenditure</b>  | 29b          | (2,775)               | (7,308)               |
| <b>Transfer of engagements</b>  | 29c          | 2,240                 | -                     |
|   |              | <hr/>                 | <hr/>                 |
| <b>Cash inflow/(outflow) before use of liquid resources and financing</b> |              | 1,114                 | (7,016)               |
| <b>Management of Liquid Resources</b>                                     |              | -                     | -                     |
| <b>Financing</b>  | 29d          | <hr/> 5,836           | <hr/> 5,041           |
| <b>Increase/(decrease) in cash</b>  |              | <hr/> <hr/> 6,950     | <hr/> <hr/> (1,975)   |

**LINK GROUP LIMITED****LINK GROUP LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008**

|   | <b>Notes</b> | <b>2008<br/>£'000</b> | <b>2007<br/>£'000</b> |
|---|--------------|-----------------------|-----------------------|
| <b>Net cash inflow from operating activities</b>                          | 28           | 4,391                 | 2,495                 |
| <b>Returns on investments and servicing of finance</b>                    | 29a          | (2,615)               | (2,405)               |
| <b>Taxation</b>   |              | -                     | -                     |
| <b>Capital expenditure</b>  | 29b          | (3,004)               | (7,566)               |
| <b>Transfer of engagements</b>  | 29c          | 2,240                 | -                     |
|   |              | <hr/>                 | <hr/>                 |
| <b>Cash inflow/(outflow) before use of liquid resources and financing</b> |              | 1,012                 | (7,476)               |
| <b>Management of liquid resources</b>                                     |              | -                     | -                     |
| <b>Financing</b>  | 29d          | 5,993                 | 5,000                 |
|   |              | <hr/>                 | <hr/>                 |
| <b>Increase/(decrease) in cash</b>  |              | <u>7,005</u>          | <u>(2,476)</u>        |

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

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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 the Scottish Housing Regulator 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 Social Landlords Accounting Requirements (Scotland) Order 2007 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 2008. 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 The Scottish Government 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 The Scottish Government. 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 2008 (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 2008 (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 pension scheme and a group personal pension scheme (a defined contribution scheme). The Association's contributions for 2007/2008 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 2007/2008, 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 2008 (Continued)**

**3a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS – CONSOLIDATED**

|                            | Turnover<br>2008<br>£'000 | Operating<br>Costs<br>2008<br>£'000 | Operating<br>Surplus/<br>(Deficit)<br>2008<br>£'000 | Turnover<br>2007<br>£'000 | Operating<br>Costs<br>2007<br>£'000 | Operating<br>Surplus/<br>(Deficit)<br>2007<br>£'000 |
|----------------------------|---------------------------|-------------------------------------|---|---------------------------|-------------------------------------|---|
| Social Lettings (note 4a)  | 18,894                    | (14,716)                            | 4,178   | 16,426                    | (13,524)                            | 2,902   |
| Other Activities (note 5a) | 5,156                     | (6,174)                             | (1,018)   | 5,257                     | (5,696)                             | (439)   |
|                            | <u>24,050</u>             | <u>(20,890)</u>                     | <u>3,160</u>  | <u>21,683</u>             | <u>(19,220)</u>                     | <u>2,463</u>  |

**3b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS – LINK GROUP LIMITED**

|                            | Turnover<br>2008<br>£'000 | Operating<br>Costs<br>2008<br>£'000 | Operating<br>Surplus/<br>(Deficit)<br>2008<br>£'000 | Turnover<br>2007<br>£'000 | Operating<br>Costs<br>2007<br>£'000 | Operating<br>Surplus/<br>(Deficit)<br>2007<br>£'000 |
|----------------------------|---------------------------|-------------------------------------|---|---------------------------|-------------------------------------|---|
| Social Lettings (note 4b)  | 16,408                    | (12,714)                            | 3,694   | 14,908                    | (11,915)                            | 2,993   |
| Other Activities (note 5b) | 1,741                     | (2,707)                             | (966)   | 1,556                     | (1,933)                             | (377)   |
|                            | <u>18,149</u>             | <u>(15,421)</u>                     | <u>2,728</u>  | <u>16,464</u>             | <u>(13,848)</u>                     | <u>2,616</u>  |

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

**4a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTING ACTIVITIES – CONSOLIDATED**

|   | General Needs<br>Housing<br>£'000 | Supported<br>Housing<br>Accommodation<br>£'000 | Shared<br>Ownership<br>Housing<br>£'000 | 2008<br>Total<br>£'000 | 2007<br>Total<br>£'000 |
|---|-----------------------------------|--|---|------------------------|------------------------|
| <b>Income from rent and service charges</b>                   |                                   |  |   |                        |                        |
| Rents receivable net of service charges                       | 16,913                            | 35   | 868                                     | 17,816                 | 15,426                 |
| Service charges   | 981                               | -  | 16                                      | 997                    | 1,053                  |
| <b>Gross income from rent and service charges</b>             | 17,894                            | 35   | 884                                     | 18,813                 | 16,479                 |
| Less: Rent losses from voids                                  | (80)                              | -  | (7)                                     | (87)                   | (91)                   |
| <b>Net income from rent and service charges</b>               | 17,814                            | 35   | 877                                     | 18,726                 | 16,388                 |
| Grants from the Scottish Ministers                            | -                                 | -  | -                                       | -                      | -                      |
| Other revenue grants  | 89                                | -  | -                                       | 89                     | 38                     |
| Other income  | 79                                | -  | -                                       | 79                     | -                      |
| <b>Total turnover from social letting activities</b>          | 17,982                            | 35   | 877                                     | 18,894                 | 16,426                 |
| <b>Expenditure</b>  |                                   |  |   |                        |                        |
| Management & maintenance administration costs                 | 3,265                             | 3  | 100                                     | 3,368                  | 3,478                  |
| Service Charges   | 1,035                             | -  | 18                                      | 1,053                  | 1,173                  |
| Planned & cyclical maintenance & Major Repairs                | 5,332                             | 13   | 4                                       | 5,349                  | 4,576                  |
| Reactive maintenance costs                                    | 3,217                             | -  | 2                                       | 3,219                  | 2,660                  |
| Bad Debts – rents & service charges                           | 179                               | -  | (10)                                    | 169                    | 195                    |
| Depreciation of Social Housing                                | 1,454                             | 4  | 100                                     | 1,558                  | 1,442                  |
| <b>Operating costs for social letting activities</b>          | 14,482                            | 20   | 214                                     | 14,716                 | 13,524                 |
| <b>Operating Surplus / (Deficit) for social lettings 2008</b> | 3,500                             | 15   | 663                                     | 4,178                  | 2,902                  |
| <b>Operating Surplus / (Deficit) for social lettings 2007</b> | 2,565                             | (136)  | 473                                     | 2,902                  |                        |

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

**4b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTINGS - LINK GROUP LIMITED**

|   | General Needs<br>Housing<br>£'000 | Supported<br>Housing<br>Accommodation<br>£'000 | Shared<br>Ownership<br>Accommodation<br>£'000 | 2008<br>Total<br>£'000 | 2007<br>Total<br>£'000 |
|---|-----------------------------------|--|---|------------------------|------------------------|
| <b>Income from rent and service charges</b>                   |                                   |  |   |                        |                        |
| Rents receivable net of service charges                       | 15,540                            | 35   | 868   | 16,443                 | 14,984                 |
| Service charges   | -                                 | -  | -   | -                      | -                      |
| <b>Gross income from rent and service charges</b>             | 15,540                            | 35   | 868   | 16,443                 | 14,984                 |
| Less: Rent losses from voids                                  | (72)                              | -  | (7)   | (79)                   | (89)                   |
| <b>Net income from rent and service charges</b>               | 15,468                            | 35   | 861   | 16,364                 | 14,895                 |
| Grants from the Scottish Ministers                            | -                                 | -  | -   | -                      | -                      |
| Other revenue grants  | 44                                | -  | -   | 44                     | 13                     |
| <b>Total turnover from social letting activities</b>          | 15,512                            | 35   | 861   | 16,408                 | 14,908                 |
| <b>Expenditure</b>  |                                   |  |   |                        |                        |
| Management & maintenance administration costs                 | 2,854                             | 3  | 147   | 3,004                  | 3,347                  |
| Service Charges   | -                                 | -  | -   | -                      | -                      |
| Planned & cyclical maintenance & Major Repairs                | 5,172                             | 13   | 4   | 5,189                  | 4,243                  |
| Reactive maintenance costs                                    | 3,008                             | -  | 2   | 3,010                  | 2,745                  |
| Bad Debts – rents & service charges                           | 102                               | -  | (10)  | 92                     | 186                    |
| Depreciation of Social Housing                                | 1,315                             | 4  | 100   | 1,419                  | 1,394                  |
| <b>Operating costs for social letting activities</b>          | 12,451                            | 20   | 243   | 12,714                 | 11,915                 |
| <b>Operating Surplus / (Deficit) for social lettings 2008</b> | 3,061                             | 15   | 618   | 3,694                  | 2,993                  |
| <b>Operating Surplus / (Deficit) for social lettings 2007</b> | 2,683                             | (136)  | 446   | 2,993                  |                        |

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

**5a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES – CONSOLIDATED**

|   | Grants<br>from<br>Scottish<br>Ministers<br>£'000 | Other<br>Revenue<br>Grants<br>£'000 | Supporting<br>People<br>Income<br>£'000 | Other<br>Income<br>£'000 | Total<br>Turnover<br>2008<br>£'000 | Operating<br>Costs<br>2008<br>£'000 | Operating<br>Surplus /<br>(Deficit)<br>2008<br>£'000 | Total<br>Turnover<br>2007<br>£'000 | Operating<br>Costs<br>2007<br>£'000 | Operating<br>Surplus /<br>(Deficit)<br>2007<br>£'000 |
|---|--|-------------------------------------|---|--------------------------|------------------------------------|-------------------------------------|--|------------------------------------|-------------------------------------|--|
| Wider role activities                               | 189  | 20                                  | -                                       | 225                      | 434                                | (817)                               | (383)  | 813                                | (1,097)                             | (284)  |
| Factoring   | -  | 64                                  | -                                       | 45                       | 109                                | (113)                               | (4)  | 103                                | (146)                               | (43)   |
| Development and construction of property activities | -  | -                                   | -                                       | -                        | -                                  | (277)                               | (277)  | -                                  | (184)                               | (184)  |
| Care & Support activities                           | -  | 558                                 | 2,777                                   | 524                      | 3,859                              | (4,332)                             | (473)  | 3,746                              | (3,916)                             | (170)  |
| Agency/management services for RSLs                 | -  | -                                   | -                                       | 263                      | 263                                | (250)                               | 13   | 67                                 | -                                   | 67   |
| Other agency / management services                  | -  | -                                   | -                                       | 9                        | 9                                  | (14)                                | (5)  | 100                                | (105)                               | (5)  |
| Developments for sale to RSLs                       | -  | -                                   | -                                       | -                        | -                                  | -                                   | -  | -                                  | -                                   | -  |
| Development and improvements for sale to non RSLs   | -  | -                                   | -                                       | -                        | -                                  | (28)                                | (28)   | -                                  | 38                                  | 38   |
| Release of Negative Goodwill                        | -  | -                                   | -                                       | -                        | -                                  | 401                                 | 401  | -                                  | 401                                 | 401  |
| Business & other development costs                  | -  | -                                   | -                                       | -                        | -                                  | (343)                               | (343)  | -                                  | (331)                               | (331)  |
| Publicity and Promotion                             | -  | -                                   | -                                       | -                        | -                                  | (183)                               | (183)  | -                                  | (48)                                | (48)   |
| Homestake / LIFT                                    | 401  | -                                   | -                                       | 4                        | 405                                | (218)                               | 187  | 384                                | (245)                               | 139  |
| Other Activities                                    | -  | -                                   | -                                       | 77                       | 77                                 | -                                   | 77   | 44                                 | (63)                                | (19)   |
| <b>Total from Other Activities 2008</b>             | <b>590</b>                                       | <b>642</b>                          | <b>2,777</b>                            | <b>1,147</b>             | <b>5,156</b>                       | <b>(6,174)</b>                      | <b>(1,018)</b>                                       | <b>5,257</b>                       | <b>(5,696)</b>                      | <b>(485)</b>   |
| <b>Total from Other Activities 2007</b>             | <b>600</b>                                       | <b>762</b>                          | <b>2,845</b>                            | <b>1,050</b>             | <b>5,257</b>                       | <b>(5,696)</b>                      | <b>(485)</b>   |                                    |                                     |  |

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

**5b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES – LINK GROUP LIMITED**

|   | Grants<br>from<br>Scottish<br>Ministers<br>£'000 | Other<br>Revenue<br>Grants<br>£'000 | Supporting<br>People<br>Income<br>£'000 | Other<br>Income<br>£'000 | Total<br>Turnover<br>2008<br>£'000 | Operating<br>Costs<br>2008<br>£'000 | Operating<br>Surplus /<br>(Deficit)<br>2008<br>£'000 | Total<br>Turnover<br>2007<br>£'000 | Operating<br>Costs<br>2007<br>£'000 | Operating<br>Surplus /<br>(Deficit)<br>2007<br>£'000 |
|---|--|-------------------------------------|---|--------------------------|------------------------------------|-------------------------------------|--|------------------------------------|-------------------------------------|--|
| Wider role activities                               | -  | -                                   | -                                       | -                        | -                                  | (350)                               | (350)  | -                                  | (299)                               | (299)  |
| Factoring   | -  | -                                   | -                                       | -                        | -                                  | -                                   | -  | -                                  | -                                   | -  |
| Development and construction of property activities | -  | -                                   | -                                       | -                        | -                                  | (277)                               | (277)  | -                                  | (184)                               | (184)  |
| Care & Support activities                           | -  | -                                   | -                                       | -                        | -                                  | (473)                               | (473)  | -                                  | (162)                               | (162)  |
| Agency/management services for RSLs                 | -  | -                                   | -                                       | 56                       | 56                                 | (44)                                | 12   | 41                                 | (30)                                | 11   |
| Other agency / management services                  | -  | -                                   | -                                       | 1,404                    | 1,404                              | (1,410)                             | (6)  | 1,213                              | (1,217)                             | (4)  |
| Developments for sale to RSLs                       | -  | -                                   | -                                       | -                        | -                                  | -                                   | -  | -                                  | -                                   | -  |
| Development and improvements for sale to non RSLs   | -  | -                                   | -                                       | -                        | -                                  | -                                   | -  | -                                  | -                                   | -  |
| Release of Negative Goodwill                        | -  | -                                   | -                                       | -                        | -                                  | 401                                 | 401  | -                                  | 401                                 | 401  |
| Gift Aid from subsidiaries                          | -  | -                                   | -                                       | 204                      | 204                                | -                                   | 204  | 258                                | -                                   | 258  |
| Business & other development costs                  | -  | -                                   | -                                       | -                        | -                                  | (343)                               | (343)  | -                                  | (331)                               | (331)  |
| Publicity and Promotion                             | -  | -                                   | -                                       | -                        | -                                  | (182)                               | (182)  | -                                  | (48)                                | (48)   |
| Homestake / LIFT                                    | -  | -                                   | -                                       | -                        | -                                  | (29)                                | (29)   | -                                  | -                                   | -  |
| Other Activities                                    | -  | -                                   | -                                       | 77                       | 77                                 | -                                   | 77   | 44                                 | (63)                                | (19)   |
| <b>Total from Other Activities 2008</b>             | -  | -                                   | -                                       | 1,741                    | 1,741                              | (2,707)                             | (966)  | 1,556                              | (1,933)                             | (377)  |
| <b>Total from Other Activities 2007</b>             | -  | -                                   | -                                       | 1,556                    | 1,556                              | (1,933)                             | (377)  | -                                  | -                                   | -  |

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)

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

In the year to 31 March 2008 Link Group Limited achieved a gain on disposal of fixed assets of £1,919,000 compared to a gain in 2007 of £569,000. 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 2008 of £1,919,000 includes a gain of £1,510,000 on disposal of office premises in the year.

#### 7. INTEREST PAYABLE AND SIMILAR CHARGES

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

|  | Consolidated  |               | Link Group Ltd |               |
|--|---------------|---------------|----------------|---------------|
|  | 2008<br>£'000 | 2007<br>£'000 | 2008<br>£'000  | 2007<br>£'000 |
| Income and Expenditure Account – Loan Interest | 3,232         | 2,490         | 2,854          | 2,361         |
| Capitalised in work in progress                | 9             | -             | -              | -             |
|  | <u>3,241</u>  | <u>2,490</u>  | <u>2,854</u>   | <u>2,361</u>  |

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)****8. DIRECTORS' AND BOARD MEMBERS' EMOLUMENTS**

The aggregate Directors' emoluments, over £60,000, including the Chief Executive were as follows;

|  | <b>Consolidated</b> |              | <b>Link Group Ltd</b> |              |
|--|---------------------|--------------|-----------------------|--------------|
|  | <b>2008</b>         | <b>2007</b>  | <b>2008</b>           | <b>2007</b>  |
|  | <b>£'000</b>        | <b>£'000</b> | <b>£'000</b>          | <b>£'000</b> |
| Emoluments (including pension contributions) | 307                 | 160          | 166                   | 160          |

The Directors whose emoluments exceed £60,000 fall within the following bandings;

| <b>Emoluments (excluding pension contributions)</b> | <b>Consolidated</b> |             | <b>Link Group Ltd</b> |             |
|---|---------------------|-------------|-----------------------|-------------|
|   | <b>2008</b>         | <b>2007</b> | <b>2008</b>           | <b>2007</b> |
|   | <b>No.</b>          | <b>No.</b>  | <b>No.</b>            | <b>No.</b>  |
| £60,000 - £69,999                                   | 3                   | 1           | 1                     | 1           |
| £70,000 - £79,999                                   | -                   | 1           | -                     | 1           |
| £80,000 - £89,999                                   | 1                   | -           | 1                     | -           |
|   | 4                   | 2           | 2                     | 2           |

The emoluments of the highest paid Director, who is the Chief Executive are £81,728 (2007, £79,533).

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 £9,396 (2007, £9,000).

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

|   | <b>Consolidated</b> |              | <b>Link Group Ltd</b> |              |
|---|---------------------|--------------|-----------------------|--------------|
|   | <b>2008</b>         | <b>2007</b>  | <b>2008</b>           | <b>2007</b>  |
|   | <b>£'000</b>        | <b>£'000</b> | <b>£'000</b>          | <b>£'000</b> |
| Travel expenses reimbursed to Board and Committee Members | 13                  | 12           | 6                     | 3            |

During the year there were two tenant Link Group Board Members (2007, two) whose tenancies were on normal terms.

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

**9. EMPLOYEES**

|                                     | <b>Consolidated</b> |              | <b>Link Group Ltd</b> |              |
|-------------------------------------|---------------------|--------------|-----------------------|--------------|
|                                     | <b>2008</b>         | <b>2007</b>  | <b>2008</b>           | <b>2007</b>  |
|                                     | <b>£'000</b>        | <b>£'000</b> | <b>£'000</b>          | <b>£'000</b> |
| <b>Staff costs during the year:</b> |                     |              |                       |              |
| Wages and salaries                  | 7,052               | 6,291        | 1,117                 | 1,005        |
| Social Security costs               | 669                 | 598          | 117                   | 101          |
| Other pension costs                 | 530                 | 520          | 100                   | 128          |
|                                     | <u>8,251</u>        | <u>7,409</u> | <u>1,334</u>          | <u>1,234</u> |

|  | <b>Consolidated</b> |             | <b>Link Group Ltd</b> |             |
|--|---------------------|-------------|-----------------------|-------------|
|  | <b>2008</b>         | <b>2007</b> | <b>2008</b>           | <b>2007</b> |
|  | <b>No.</b>          | <b>No.</b>  | <b>No.</b>            | <b>No.</b>  |
| The average monthly number of persons employed during the year | <u>361</u>          | <u>328</u>  | <u>41</u>             | <u>38</u>   |

|   | <b>Consolidated</b> |             | <b>Link Group Ltd</b> |             |
|---|---------------------|-------------|-----------------------|-------------|
|   | <b>2008</b>         | <b>2007</b> | <b>2008</b>           | <b>2007</b> |
|   | <b>No.</b>          | <b>No.</b>  | <b>No.</b>            | <b>No.</b>  |
| The average monthly full time equivalent persons employed during the year | <u>320</u>          | <u>290</u>  | <u>37</u>             | <u>33</u>   |

**10. AUDITORS' REMUNERATION**

|  | <b>Consolidated</b> |              | <b>Link Group Ltd</b> |              |
|--|---------------------|--------------|-----------------------|--------------|
|  | <b>2008</b>         | <b>2007</b>  | <b>2008</b>           | <b>2007</b>  |
|  | <b>£'000</b>        | <b>£'000</b> | <b>£'000</b>          | <b>£'000</b> |
| The remuneration of the auditors (including expenses and VAT) for the year |                     |              |                       |              |
| Audit services   | 47                  | 40           | 16                    | 11           |
| Other services   | 6                   | 7            | 1                     | 7            |
|  | <u>53</u>           | <u>47</u>    | <u>17</u>             | <u>18</u>    |

**11. TAXATION**

Link Group Limited has charitable status for taxation purposes. In the year to 31 March 2008 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>2008</b>         | <b>2007</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 2008 (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<br/>2008<br/>Units</b> | <b>31 March<br/>2007<br/>Units</b> | <b>31 March<br/>2008<br/>Units</b> | <b>31 March<br/>2007<br/>Units</b> |
| <b>Link Group Limited</b>                    |                                    |                                    |                                    |                                    |
| Housing accommodation for letting            | 5,625                              | 5,259                              | 58                                 | 115                                |
| Supported accommodation                      | 15                                 | 15                                 | -                                  | -                                  |
| Shared Ownership accommodation               | 502                                | 512                                | 3                                  | 3                                  |
| <b>Larkfield Housing Association Limited</b> |                                    |                                    |                                    |                                    |
| Housing accommodation for letting            | 402                                | 412                                | -                                  | -                                  |
| Total units in management                    | <u>6,544</u>                       | <u>6,198</u>                       | <u>61</u>                          | <u>118</u>                         |

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

| <b>Organisation</b> | <b>Units</b>                       |                                    |
|---------------------|------------------------------------|------------------------------------|
|                     | <b>31 March<br/>2008<br/>Units</b> | <b>31 March<br/>2007<br/>Units</b> |
| Stirling University | 86                                 | 86                                 |
| Others              | 9                                  | 9                                  |
|                     | <u>95</u>                          | <u>95</u>                          |

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

| <b>13a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES - CONSOLIDATED</b> |  | <b>Housing properties held for letting</b> |               | <b>Shared Ownership housing properties</b> |            | <b>Housing properties in course of construction</b> |                | <b>Shared Ownership properties in course of construction</b> |  | <b>2008 Total</b> |  | <b>2007 Total</b> |  |
|---|--|--|---------------|--|------------|---|----------------|--|--|-------------------|--|-------------------|--|
|   |  | <b>£'000</b>                               |               | <b>£'000</b>                               |            | <b>£'000</b>  |                | <b>£'000</b>   |  | <b>£'000</b>      |  | <b>£'000</b>      |  |
| <b>Cost</b>   |  |  |               |  |            |   |                |  |  |                   |  |                   |  |
| At 1 April 2007   |  | 214,605                                    | 20,261        | 7,435                                      | 156        | 242,457   | 231,664        |  |  |                   |  |                   |  |
| Transfer of Engagements   |  | 5,919                                      | -             | -  | -          | 5,919   | 7,870          |  |  |                   |  |                   |  |
| Additions   |  | 814  | 57            | 6,296                                      | 917        | 8,084   | 14,761         |  |  |                   |  |                   |  |
| Transfers   |  | 4,262                                      | 174           | (4,262)                                    | (174)      | -   | -              |  |  |                   |  |                   |  |
| Disposals - initial tranches  |  | -  | -             | -  | (176)      | -   | -              |  |  |                   |  |                   |  |
| - other sales   |  | (1,306)                                    | (810)         | -  | -          | (2,116)   | (1,977)        |  |  |                   |  |                   |  |
| <b>At 31 March 2008</b>   |  | <b>224,294</b>                             | <b>19,682</b> | <b>9,469</b>                               | <b>723</b> | <b>254,168</b>                                      | <b>242,457</b> |  |  |                   |  |                   |  |
| <b>Depreciation</b>   |  |  |               |  |            |   |                |  |  |                   |  |                   |  |
| At 1 April 2007   |  | 8,524                                      | 709           | -  | -          | 9,233   | 6,955          |  |  |                   |  |                   |  |
| Transfer of Engagements   |  | -  | -             | -  | -          | -   | 952            |  |  |                   |  |                   |  |
| Provided during the year  |  | 1,458                                      | 101           | -  | -          | 1,559   | 1,443          |  |  |                   |  |                   |  |
| On Disposals  |  | (54)                                       | (26)          | -  | -          | (80)  | (117)          |  |  |                   |  |                   |  |
| <b>At 31 March 2008</b>   |  | <b>9,928</b>                               | <b>784</b>    | <b>-</b>                                   | <b>-</b>   | <b>10,712</b>                                       | <b>9,233</b>   |  |  |                   |  |                   |  |
| <b>Depreciated Cost</b>   |  | <b>214,366</b>                             | <b>18,898</b> | <b>9,469</b>                               | <b>723</b> | <b>243,456</b>                                      | <b>233,224</b> |  |  |                   |  |                   |  |
| <b>Housing Association Grant</b>                                      |  |  |               |  |            |   |                |  |  |                   |  |                   |  |
| At 1 April 2007   |  | 139,649                                    | 15,013        | 2,228                                      | 130        | 157,020   | 157,532        |  |  |                   |  |                   |  |
| Transfer of Engagements   |  | 1,539                                      | -             | -  | -          | 1,539   | -              |  |  |                   |  |                   |  |
| Additions   |  | 1,486                                      | 1             | 1,962                                      | 664        | 4,113   | 7,432          |  |  |                   |  |                   |  |
| Transfers   |  | -  | 230           | -  | (230)      | -   | -              |  |  |                   |  |                   |  |
| Repaid and abated during year   |  | (620)                                      | (270)         | -  | -          | (890)   | (7,944)        |  |  |                   |  |                   |  |
| <b>At 31 March 2008</b>   |  | <b>142,054</b>                             | <b>14,974</b> | <b>4,190</b>                               | <b>564</b> | <b>161,782</b>                                      | <b>157,020</b> |  |  |                   |  |                   |  |
| <b>Other Capital Grants</b>   |  |  |               |  |            |   |                |  |  |                   |  |                   |  |
| At 1 April 2007   |  | 2,379                                      | 14            | -  | -          | 2,393   | 2,393          |  |  |                   |  |                   |  |
| Transfer of Engagements   |  | -  | -             | -  | -          | -   | -              |  |  |                   |  |                   |  |
| Additions   |  | -  | -             | 5  | -          | 5   | -              |  |  |                   |  |                   |  |
| Transfers   |  | 5  | -             | (5)  | -          | -   | -              |  |  |                   |  |                   |  |
| Repaid and abated during year   |  | -  | -             | -  | -          | -   | -              |  |  |                   |  |                   |  |
| <b>At 31 March 2008</b>   |  | <b>2,384</b>                               | <b>14</b>     | <b>-</b>                                   | <b>-</b>   | <b>2,398</b>  | <b>2,393</b>   |  |  |                   |  |                   |  |
| <b>Net Book Value at 31 March 2008</b>                                |  | <b>69,928</b>                              | <b>3,910</b>  | <b>5,279</b>                               | <b>159</b> | <b>79,276</b>                                       | <b>73,811</b>  |  |  |                   |  |                   |  |
| <b>Net Book Value at 31 March 2007</b>                                |  | <b>64,053</b>                              | <b>4,525</b>  | <b>5,207</b>                               | <b>26</b>  | <b>73,811</b>                                       | <b>73,811</b>  |  |  |                   |  |                   |  |

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

**13b. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES - LINK GROUP LTD.**

|  | Housing properties held for letting<br>£'000 | Shared Ownership housing properties<br>£'000 | Housing properties in course of construction<br>£'000 | Shared Ownership properties in course of construction<br>£'000 | 2008 Total<br>£'000 | 2007 Total<br>£'000 |
|--|--|--|---|--|---------------------|---------------------|
| <b>Cost</b>                                      |  |  |   |  |                     |                     |
| At 1 April 2007                                  | 206,829                                      | 20,261                                       | 7,435   | 156  | 234,681             | 231,664             |
| Transfer of Engagements Additions                | 5,919  | -  | -   | -  | 5,919               | -                   |
| Transfers  | 814  | 57   | 6,296   | 917  | 8,084               | 14,761              |
| Disposals - initial tranches                     | 4,262  | 174  | (4,262)   | (174)  | -                   | -                   |
| - other sales                                    | -  | -  | -   | (176)  | (176)               | (1,977)             |
|  | (1,118)                                      | (810)  | -   | -  | (1,928)             | (9,767)             |
| <b>At 31 March 2008</b>                          | <b>216,706</b>                               | <b>19,682</b>                                | <b>9,469</b>  | <b>723</b>   | <b>246,580</b>      | <b>234,681</b>      |
| <b>Depreciation</b>                              |  |  |   |  |                     |                     |
| At 1 April 2007                                  | 7,533  | 709  | -   | -  | 8,242               | 6,955               |
| Transfer of Engagements Provided during the year | -  | -  | -   | -  | -                   | -                   |
| On Disposals                                     | 1,319  | 101  | -   | -  | 1,420               | 1,394               |
|  | (31)   | (26)   | -   | -  | (57)                | (107)               |
| <b>At 31 March 2008</b>                          | <b>8,821</b>                                 | <b>784</b>                                   | <b>-</b>  | <b>-</b>   | <b>9,605</b>        | <b>8,242</b>        |
| <b>Depreciated Cost</b>                          | <b>207,885</b>                               | <b>18,898</b>                                | <b>9,469</b>  | <b>723</b>   | <b>236,975</b>      | <b>226,439</b>      |
| <b>Housing Association Grant</b>                 |  |  |   |  |                     |                     |
| At 1 April 2007                                  | 139,649                                      | 15,013                                       | 2,228   | 130  | 157,020             | 157,532             |
| Transfer of Engagements Additions                | 1,539  | -  | -   | -  | 1,539               | -                   |
| Transfers  | 1,486  | 1  | 1,962   | 664  | 4,113               | 7,432               |
| Repaid and abated during year                    | -  | 230  | -   | (230)  | -                   | -                   |
|  | (620)  | (270)  | -   | -  | (890)               | (7,944)             |
| <b>At 31 March 2008</b>                          | <b>142,054</b>                               | <b>14,974</b>                                | <b>4,190</b>  | <b>564</b>   | <b>161,782</b>      | <b>157,020</b>      |
| <b>Other Capital Grants</b>                      |  |  |   |  |                     |                     |
| At 1 April 2007                                  | 2,379  | 14   | -   | -  | 2,393               | 2,393               |
| Transfer of Engagements Additions                | -  | -  | -   | -  | -                   | -                   |
| Transfers  | -  | -  | 5   | -  | 5                   | -                   |
| Repaid and abated during year                    | 5  | -  | (5)   | -  | -                   | -                   |
|  | -  | -  | -   | -  | -                   | -                   |
| <b>At 31 March 2008</b>                          | <b>2,384</b>                                 | <b>14</b>                                    | <b>-</b>  | <b>-</b>   | <b>2,398</b>        | <b>2,393</b>        |
| <b>Net Book Value at 31 March 2008</b>           | <b>63,447</b>                                | <b>3,910</b>                                 | <b>5,279</b>  | <b>159</b>   | <b>72,795</b>       | <b>67,026</b>       |
| <b>Net Book Value at 31 March 2007</b>           | <b>57,268</b>                                | <b>4,525</b>                                 | <b>5,207</b>  | <b>26</b>  | <b>67,026</b>       |                     |

Development administration costs capitalised amounted to £210,544 (2007, £234,292) for which Housing Association Grant amounting to £154,373 (2007, £196,051) was received in the year.

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

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

|  | <b>Heritable<br/>Office<br/>Property<br/>£'000</b> | <b>Plant &amp;<br/>Equipment<br/>£'000</b> | <b>Vehicles<br/>£'000</b> | <b>2008<br/>Total<br/>£'000</b> | <b>2007<br/>Total<br/>£'000</b> |
|--|--|--|---------------------------|---------------------------------|---------------------------------|
| <b>Cost</b>                            |  |  |                           |                                 |                                 |
| At 1 April 2007                        | 5,503  | 1,184                                      | 152                       | 6,839                           | 3,107                           |
| Acquired                               | -  | -  | -                         | -                               | 323                             |
| Additions                              | 3,776  | 238  | -                         | 4,014                           | 3,952                           |
| Disposals                              | (1,393)  | (300)                                      | (132)                     | (1,825)                         | (543)                           |
| <b>At 31 March 2008</b>                | <b>7,886</b>                                       | <b>1,122</b>                               | <b>20</b>                 | <b>9,028</b>                    | <b>6,839</b>                    |
| <b>Depreciation</b>                    |  |  |                           |                                 |                                 |
| At 1 April 2007                        | 855  | 757  | 82                        | 1,694                           | 1,471                           |
| Acquired                               | -  | -  | -                         | -                               | 87                              |
| Provided during the year               | 176  | 196  | 20                        | 392                             | 341                             |
| On Disposals                           | (651)  | (272)                                      | (90)                      | (1,013)                         | (205)                           |
| <b>At 31 March 2008</b>                | <b>380</b>   | <b>681</b>                                 | <b>12</b>                 | <b>1,073</b>                    | <b>1,694</b>                    |
| <b>Net Book Value at 31 March 2008</b> | <b>7,506</b>                                       | <b>441</b>                                 | <b>8</b>                  | <b>7,955</b>                    | <b>5,145</b>                    |
| <b>Net Book Value at 31 March 2007</b> | <b>4,648</b>                                       | <b>427</b>                                 | <b>70</b>                 | <b>5,145</b>                    |                                 |

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

|  | <b>Heritable<br/>Office<br/>Property<br/>£'000</b> | <b>Plant &amp;<br/>Equipment<br/>£'000</b> | <b>Vehicles<br/>£'000</b> | <b>2008<br/>Total<br/>£'000</b> | <b>2007<br/>Total<br/>£'000</b> |
|--|--|--|---------------------------|---------------------------------|---------------------------------|
| <b>Cost</b>                            |  |  |                           |                                 |                                 |
| At 1 April 2007                        | 5,271  | 1,057                                      | 20                        | 6,348                           | 3,002                           |
| Additions                              | 3,766  | 236  | -                         | 4,002                           | 3,886                           |
| Disposals                              | (1,393)  | (262)                                      | -                         | (1,655)                         | (540)                           |
| <b>At 31 March 2008</b>                | <b>7,644</b>                                       | <b>1,031</b>                               | <b>20</b>                 | <b>8,695</b>                    | <b>6,348</b>                    |
| <b>Depreciation</b>                    |  |  |                           |                                 |                                 |
| At 1 April 2007                        | 844  | 653  | 12                        | 1,509                           | 1,416                           |
| Provided during the year               | 166  | 185  | 1                         | 352                             | 297                             |
| On Disposals                           | (651)  | (240)                                      | -                         | (891)                           | (204)                           |
| <b>At 31 March 2008</b>                | <b>359</b>   | <b>598</b>                                 | <b>13</b>                 | <b>970</b>                      | <b>1,509</b>                    |
| <b>Net Book Value at 31 March 2008</b> | <b>7,285</b>                                       | <b>433</b>                                 | <b>7</b>                  | <b>7,725</b>                    | <b>4,839</b>                    |
| <b>Net Book Value at 31 March 2007</b> | <b>4,427</b>                                       | <b>404</b>                                 | <b>8</b>                  | <b>4,839</b>                    |                                 |

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

**15. INVESTMENTS**

**Subsidiary Undertakings**

| <b>Company</b>                          | <b>Authorised Share Capital</b> | <b>Issued Share Capital</b> | <b>Principal Activity</b>   |
|---|---------------------------------|-----------------------------|---|
| Link Housing Association Limited        | 100 £1 shares                   | £1                          | 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                   |
| Link Housing Association (2006) Limited | Limited by Guarantee            | N/A                         | Dormant   |
| Link Property Limited                   | 50,000 £1 shares                | £50,000                     | Dormant   |
| Larkfield Housing Association Limited   | N/A                             | N/A                         | A Registered Social Landlord, management of social rented housing stock |

At 31 March 2008 Link Group Limited held 100% share capital of the subsidiary undertakings listed above, with the exception of Larkfield Housing Association, where Link Group Limited has control of the appointment of the Committee of Management.

Link Housing Association (2006) Limited and Link Property Limited were dormant (within the meaning of section 250 of the Companies Act 1985) throughout the financial period to 31 March 2008. The issued share capital of Link Property Limited and Link Housing Association is shown at cost within Link Group Limited.

At 31 March 2008 Linkwide Limited held 100% share capital of the following subsidiary undertakings:

| <b>Company</b>            | <b>Authorised Share Capital</b> | <b>Issued Share Capital</b> | <b>Principal Activity</b>   |
|---------------------------|---------------------------------|-----------------------------|-----------------------------|
| Link Homes (2001) Limited | 50,000 £1 shares                | £50,000                     | Developing housing for sale |

The issued share capital of Link Homes (2001) Limited is held at cost within Linkwide Limited.

Linkwide Trading (West) Limited (trading as Dalmuir Community Concierge Service) left the group on 12 March 2008 in fulfilment of the original intention to transfer ownership to the community.

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 2008 (Continued)****15. INVESTMENTS (continued)**

|   | <b>Shares in<br/>Group<br/>Undertakings<br/>2008<br/>£</b> | <b>Shares in<br/>Group<br/>Undertakings<br/>2007<br/>£</b> |
|---|--|--|
| <b>Cost</b>   |  |  |
| At 1 April 2007 and 31 March 2008                       | 50,001   | 50,001   |
| <b>Amounts Written Down</b>                             |  |  |
| At 1 April 2007 and 31 March 2008                       | -  | -  |
| <b>Shares Redeemed during the year</b>                  |  |  |
| At 1 April 2007 and 31 March 2008                       | -  | -  |
| <b>Net Book Value At 1 April 2007 and 31 March 2008</b> | 50,001   | 50,001   |

**16. WORK IN PROGRESS**

|  | <b>Consolidated</b> |              | <b>Link Group Ltd</b> |              |
|--|---------------------|--------------|-----------------------|--------------|
|  | <b>2008</b>         | <b>2007</b>  | <b>2008</b>           | <b>2007</b>  |
|  | <b>£'000</b>        | <b>£'000</b> | <b>£'000</b>          | <b>£'000</b> |
| <b>At 1 April 2007</b>                         | 33                  | -            | -                     | -            |
| Expenditure on development properties          | 529                 | (13)         | -                     | -            |
| Grants received from the Scottish Government   | -                   | -            | -                     | -            |
| Cost of disposals transferred to cost of sales | (2)                 | 46           | -                     | -            |
| <b>At 31 March 2008</b>                        | 560                 | 33           | -                     | -            |

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)****17. DEBTORS**

|  | <b>Consolidated</b> |               | <b>Link Group Ltd</b> |              |
|--|---------------------|---------------|-----------------------|--------------|
|  | <b>2008</b>         | <b>2007</b>   | <b>2008</b>           | <b>2007</b>  |
|  | <b>£'000</b>        | <b>£'000</b>  | <b>£'000</b>          | <b>£'000</b> |
| Arrears of rent and service charges                      | 952                 | 1,030         | 837                   | 900          |
| Less: Provision for bad and doubtful debts               | (327)               | (438)         | (284)                 | (372)        |
| HAG receivable   | 332                 | 1,830         | 332                   | 1,830        |
| Homestake / LIFT   | 22,796              | 11,571        | -                     | -            |
| Other debtors (less provision £24,092,<br>2007, £25,669) | 940                 | 1,397         | 174                   | 828          |
| Prepayments  | 425                 | 505           | 104                   | 106          |
| Due from subsidiaries                                    | -                   | -             | 1,165                 | 1,273        |
|  | <b>25,118</b>       | <b>15,895</b> | <b>2,328</b>          | <b>4,565</b> |

The amounts due from subsidiaries represents rental income collected by subsidiary companies on behalf of Link Group Limited 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 Limited has provided loan facilities of £2.9m 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 £544,418 at 31 March 2008 (2007, £nil).

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

|   | <b>Consolidated</b> |               | <b>Link Group Ltd</b> |              |
|---|---------------------|---------------|-----------------------|--------------|
|   | <b>2008</b>         | <b>2007</b>   | <b>2008</b>           | <b>2007</b>  |
|   | <b>£'000</b>        | <b>£'000</b>  | <b>£'000</b>          | <b>£'000</b> |
| Housing Loans – current instalments due (Note 19) | 212                 | 169           | 43                    | -            |
| Homestake / LIFT                                  | 22,967              | 11,665        | -                     | -            |
| Trade and other creditors                         | 4,197               | 4,720         | 3,476                 | 4,034        |
| Taxation and Social Security                      | 218                 | 242           | 212                   | 238          |
| Pension Contributions                             | 64                  | 58            | 61                    | 55           |
| Accruals  | 916                 | 493           | 221                   | 132          |
| Rents in advance                                  | 596                 | 605           | 513                   | 509          |
| Amounts owed to group undertakings                | -                   | -             | 489                   | 439          |
|   | <b>29,170</b>       | <b>17,952</b> | <b>5,015</b>          | <b>5,407</b> |

Included in Trade and Other Creditors is an amount of £775,000 (2007, £775,000), representing a grant repayable to the Scottish Government. 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 the Scottish Government 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 2008 (Continued)**

**19. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|                         | <b>Consolidated</b> |               | <b>Link Group Ltd</b> |               |
|-------------------------|---------------------|---------------|-----------------------|---------------|
|                         | <b>2008</b>         | <b>2007</b>   | <b>2008</b>           | <b>2007</b>   |
|                         | <b>£'000</b>        | <b>£'000</b>  | <b>£'000</b>          | <b>£'000</b>  |
| Loan Facilities         | 56,837              | 48,737        | 51,257                | 43,000        |
| The Scottish Government | 200                 | 199           | -                     | -             |
|                         | <u>57,037</u>       | <u>48,936</u> | <u>51,257</u>         | <u>43,000</u> |

The Scottish Government has advanced funds to Larkfield Housing Association in respect of proposed works to owner occupied properties. These funds will be repaid to The Scottish Government once repairs are completed and contributions received from the owners.

| <b>Analysis of Loan Facilities</b> | <b>Consolidated</b> |               | <b>Link Group Ltd</b> |               |
|------------------------------------|---------------------|---------------|-----------------------|---------------|
|                                    | <b>2008</b>         | <b>2007</b>   | <b>2008</b>           | <b>2007</b>   |
|                                    | <b>£'000</b>        | <b>£'000</b>  | <b>£'000</b>          | <b>£'000</b>  |
| <b>a. Housing Loans</b>            |                     |               |                       |               |
| <b>Fixed Rate</b>                  |                     |               |                       |               |
| Advanced by Banks                  | 35,000              | 24,700        | 35,000                | 24,700        |
| Advanced by Building Societies     | 4,185               | 5,906         | 1,272                 | -             |
| <b>Variable Rate</b>               |                     |               |                       |               |
| Advanced by Banks                  | 14,000              | 18,300        | 14,000                | 18,300        |
| Advanced by Building Societies     | 3,864               | -             | 1,028                 | -             |
| <b>b. Non-housing Loans</b>        |                     |               |                       |               |
| Advanced by Banks                  | -                   | -             | -                     | -             |
|                                    | <u>57,049</u>       | <u>48,906</u> | <u>51,300</u>         | <u>43,000</u> |

The Association has a syndicated loan facility of £55m, of which £49m had been drawn down as at 31 March 2008 (2007, £43m) and £6m 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 2008 was charged at interest rates between 5.492% and 7.162% (2007, between 5.491% and 7.261%).

**Analysis of Maturity of Debt**

|                                   | <b>Consolidated</b> |               | <b>Link Group Ltd</b> |               |
|-----------------------------------|---------------------|---------------|-----------------------|---------------|
|                                   | <b>2008</b>         | <b>2007</b>   | <b>2008</b>           | <b>2007</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 | 212                 | 169           | 43                    | -             |
| Between one and two years         | 227                 | 376           | 46                    | -             |
| Between two and five years        | 1,537               | 810           | 915                   | 380           |
|                                   | <u>1,976</u>        | <u>1,355</u>  | <u>1,004</u>          | <u>380</u>    |
| In five years or more             | 55,073              | 47,551        | 50,296                | 42,620        |
|                                   | <u>57,049</u>       | <u>48,906</u> | <u>51,300</u>         | <u>43,000</u> |

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

**20. SHARE CAPITAL**

|   | <b>Consolidated</b> |             | <b>Link Group Ltd</b> |             |
|---|---------------------|-------------|-----------------------|-------------|
|   | <b>2008</b>         | <b>2007</b> | <b>2008</b>           | <b>2007</b> |
|   | <b>No.</b>          | <b>No.</b>  | <b>No.</b>            | <b>No.</b>  |
| Shares of £1 each fully paid and issued         |                     |             |                       |             |
| At beginning of the year                        | 402                 | 194         | 196                   | 194         |
| Shares issued on Transfer of Engagements        | 56                  | -           | 56                    | -           |
| Opening balance – Larkfield HA                  | -                   | 203         | -                     | -           |
| Shares issued during the year                   | 39                  | 5           | 31                    | 2           |
| Shares surrendered during the year              | (123)               | -           | (3)                   | -           |
| Shares of £1 each fully paid at end of the year | <u>374</u>          | <u>402</u>  | <u>280</u>            | <u>196</u>  |

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

|                                     | <b>2008</b>   | <b>2007</b>   |
|-------------------------------------|---------------|---------------|
|                                     | <b>Total</b>  | <b>Total</b>  |
|                                     | <b>£'000</b>  | <b>£'000</b>  |
| Balance at 1 April 2007             | 16,196        | 16,185        |
| Transfer of Engagements             | 200           | -             |
| From Income and Expenditure Account | 5,140         | 4,255         |
| To Income and Expenditure Account   | (5,140)       | (4,244)       |
| At 31 March 2008                    | <u>16,396</u> | <u>16,196</u> |

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

|                           | <b>2008</b>  | <b>2007</b>  |
|---------------------------|--------------|--------------|
|                           | <b>Total</b> | <b>Total</b> |
|                           | <b>£'000</b> | <b>£'000</b> |
| Balance at 1 April 2007   | 5,220        | 5,621        |
| Amortised during the year | (401)        | (401)        |
| At 31 March 2008          | <u>4,819</u> | <u>5,220</u> |

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>2008</b>   | <b>2007</b>  |
|-------------------------------------|---------------|--------------|
|                                     | <b>Total</b>  | <b>Total</b> |
|                                     | <b>£'000</b>  | <b>£'000</b> |
| Balance at 1 April 2007             | 9,440         | 7,443        |
| Transfer of Engagements             | 3,739         | 1,313        |
| Surplus in the year                 | 2,142         | 695          |
| Disposal of subsidiary              | (24)          | -            |
| Net transfer to designated reserves | -             | (11)         |
| At 31 March 2008                    | <u>15,297</u> | <u>9,440</u> |

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

**23b. REVENUE RESERVES – LINK GROUP LIMITED**

|                                     | <b>2008<br/>Total<br/>£'000</b> | <b>2007<br/>Total<br/>£'000</b> |
|-------------------------------------|---------------------------------|---------------------------------|
| Balance at 1 April 2007             | 8,110                           | 7,177                           |
| Transfer of Engagements             | 3,739                           | -                               |
| Surplus in the year                 | 2,020                           | 944                             |
| Net transfer to designated reserves |                                 | (11)                            |
| At 31 March 2008                    | 13,869                          | 8,110                           |

**24. TRANSFERS OF ENGAGEMENTS – LINK GROUP LIMITED**

On 31 January 2008, Port Glasgow Housing Association Limited and Blythswood Housing Association Limited transferred their engagements to Link Group Limited. There was no consideration paid by Link to either association on transfer.

In accordance with Financial Reporting Standard 6, both transfers were accounted for as acquisitions. No negative goodwill arose as the housing properties acquired were already stated at fair value (Existing Use Value – Social Housing) at the date of transfer. All assets and liabilities of both associations have been incorporated into Link Group as follows:-

|  | <b>Blythswood HA<br/>at 31/1/08<br/>£'000</b> | <b>Port<br/>Glasgow HA<br/>at 31/1/08<br/>£'000</b> | <b>Total<br/>at 31/1/08<br/>£'000</b> |
|--|---|---|---------------------------------------|
| <b>Tangible Fixed Assets</b>                   |   |   |                                       |
| Housing Properties - Depreciated Cost          | 4,130   | 1,789   | 5,919                                 |
| Less: Social Housing Grants                    | (1,539)                                       | -   | (1,539)                               |
|  | 2,591   | 1,789   | 4,380                                 |
| Other Fixed Assets                             | -   | -   | -                                     |
|  | 2,591   | 1,789   | 4,380                                 |
| <b>Current Assets</b>                          |   |   |                                       |
| Debtors  | 82  | 66  | 148                                   |
| Cash at bank and in hand                       | 1,494   | 746   | 2,240                                 |
|  | 1,576   | 812   | 2,388                                 |
| Creditors: amounts falling due within one year | (112)   | (452)   | (564)                                 |
|  | 1,464   | 360   | 1,824                                 |
| <b>Net Current Assets</b>                      |   |   |                                       |
| Total Assets Less Current Liabilities          | 4,055   | 2,149   | 6,204                                 |
| Creditors: amounts falling due after one year  | -   | (2,265)   | (2,265)                               |
|  | 4,055   | (116)   | 3,939                                 |
| <b>Net Assets</b>                              |   |   |                                       |
| <b>Capital and Reserves</b>                    |   |   |                                       |
| Designated Reserves                            | 200   | -   | 200                                   |
| Revaluation Reserve                            | 2,340   | -   | 2,340                                 |
| Revenue Reserve                                | 1,515   | (116)   | 1,399                                 |
|  | 4,055   | (116)   | 3,939                                 |

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)

#### 24. TRANSFERS OF ENGAGEMENTS – LINK GROUP LIMITED (continued)

The reserves transferred from Blythswood Housing Association included reserves of £2,340,235, treated by Blythswood as a revaluation reserve. Link Group has accounted for this reserve as a revenue reserve as it considered such a treatment to be the most appropriate because Link accounts for its housing stock on an historical cost basis.

#### 25. CAPITAL COMMITMENTS

At 31 March 2008 authorised and contracted commitments outstanding amounted to approximately £9.2m for Link Group Limited and the group (2007, £2m).

#### 26. 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.

#### 27. OBLIGATIONS UNDER LEASES

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

| CONSOLIDATED                          | 2008                        |                | 2007                        |                |
|---------------------------------------|-----------------------------|----------------|-----------------------------|----------------|
|                                       | Land and Buildings<br>£'000 | Other<br>£'000 | Land and Buildings<br>£'000 | Other<br>£'000 |
| <b>Operating leases which expire:</b> |                             |                |                             |                |
| Within one year                       | -                           | 5              | 53                          | 22             |
| In the second to fifth year inclusive | 21                          | 41             | -                           | 23             |
| Over five years                       | 31                          | -              | 56                          | -              |
|                                       | <u>52</u>                   | <u>46</u>      | <u>109</u>                  | <u>45</u>      |

  

| LINK GROUP LIMITED                    | 2008                        |                | 2007                        |                |
|---------------------------------------|-----------------------------|----------------|-----------------------------|----------------|
|                                       | Land and Buildings<br>£'000 | Other<br>£'000 | Land and Buildings<br>£'000 | Other<br>£'000 |
| <b>Operating leases which expire:</b> |                             |                |                             |                |
| Within one year                       | -                           | 5              | 53                          | 19             |
| In the second to fifth year inclusive | 21                          | 41             | -                           | 23             |
| Over five years                       | 31                          | -              | 56                          | -              |
|                                       | <u>52</u>                   | <u>46</u>      | <u>109</u>                  | <u>42</u>      |

**LINK GROUP LIMITED**

**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)**

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

|   | <b>Consolidated</b> |              | <b>Link Group Ltd</b> |              |
|---|---------------------|--------------|-----------------------|--------------|
|   | <b>2008</b>         | <b>2007</b>  | <b>2008</b>           | <b>2007</b>  |
|   | <b>£'000</b>        | <b>£'000</b> | <b>£'000</b>          | <b>£'000</b> |
| Operating surplus                         | 3,160               | 2,463        | 2,728                 | 2,616        |
| Depreciation charges                      | 1,951               | 1,782        | 1,771                 | 1,689        |
| Release of negative goodwill              | (401)               | (401)        | (401)                 | (401)        |
| (Decrease)/increase in creditors          | 11,106              | 10,490       | (490)                 | (177)        |
| (Increase)/decrease in debtors            | (10,678)            | (11,506)     | 783                   | (1,232)      |
| (Increase)/decrease in work in progress   | (527)               | (23)         | -                     | -            |
| Decrease in loans (current liabilities)   | -                   | -            | -                     | -            |
| Net Cash Inflow from Operating Activities | 4,611               | 2,805        | 4,391                 | 2,495        |

**29. GROSS CASH FLOWS**

| <b>(a) Returns on Investments and Servicing of Finance</b> | <b>Consolidated</b> |              | <b>Link Group Ltd</b> |              |
|--|---------------------|--------------|-----------------------|--------------|
|  | <b>2008</b>         | <b>2007</b>  | <b>2008</b>           | <b>2007</b>  |
|  | <b>£'000</b>        | <b>£'000</b> | <b>£'000</b>          | <b>£'000</b> |
| Interest received  | 254                 | 138          | 227                   | 120          |
| Interest paid  | (3,216)             | (2,651)      | (2,842)               | (2,525)      |
|  | (2,962)             | (2,513)      | (2,615)               | (2,405)      |

**(b) Capital Expenditure**

|   |         |          |         |          |
|---|---------|----------|---------|----------|
| Sales proceeds of housing accommodation held for disposal | 176     | 1,977    | 176     | 1,977    |
| Acquisition and construction of housing Properties        | (8,311) | (14,761) | (8,311) | (14,761) |
| Purchase of other fixed assets                            | (3,926) | (3,819)  | (3,925) | (3,885)  |
| Capital grants received                                   | 5,616   | 6,309    | 5,616   | 6,309    |
| Grants repaid   | (198)   | (2,214)  | (198)   | (2,214)  |
| Sale proceeds of housing properties                       | 1,565   | 4,655    | 1,335   | 4,463    |
| Sale proceeds of other fixed assets                       | 2,303   | 545      | 2,303   | 545      |
|   | (2,775) | (7,308)  | (3,004) | (7,566)  |

**(c) Acquisitions and Disposals**

|                         |       |   |       |   |
|-------------------------|-------|---|-------|---|
| Transfer of Engagements | 2,240 | - | 2,240 | - |
|-------------------------|-------|---|-------|---|

**(d) Financing**

|                                     |       |       |       |       |
|-------------------------------------|-------|-------|-------|-------|
| Loan advances received - housing    | 6,000 | 5,200 | 6,000 | 5,000 |
| Loans redeemed - housing            | -     | -     | -     | -     |
| Loan principal repayments - Housing | (164) | (159) | (7)   | -     |
|                                     | 5,836 | 5,041 | 5,993 | 5,000 |

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)****30a. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT - CONSOLIDATED**

|  | <b>2008</b>     | <b>2007</b>     |
|--|-----------------|-----------------|
|  | <b>£'000</b>    | <b>£'000</b>    |
| Increase/(decrease) in cash in the period                          | 6,950           | (1,975)         |
| Cash (inflow)/outflow from increase/decrease in debt               | (5,836)         | (5,042)         |
| Cash outflow/(inflow) from increase/(decrease) in liquid resources | -               | -               |
| Change in net debt resulting from cash flows                       | <u>1,114</u>    | <u>(7,017)</u>  |
| Loans acquired on transfer of engagements                          | (2,307)         | (5,864)         |
| <b>Movement in net debt in the period</b>                          | <u>(1,193)</u>  | <u>(12,881)</u> |
| <b>Net debt at 1 April 2007</b>                                    | <u>(46,046)</u> | <u>(33,165)</u> |
| <b>Net debt at 31 March 2008</b>                                   | <u>(47,239)</u> | <u>(46,046)</u> |

**30b. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
LINK GROUP LIMITED**

|  | <b>2008</b>     | <b>2007</b>     |
|--|-----------------|-----------------|
|  | <b>£'000</b>    | <b>£'000</b>    |
| Increase/(decrease) in cash in the period                          | 7,005           | (2,476)         |
| Cash (inflow)/outflow from increase/decrease in debt               | (5,993)         | (5,000)         |
| Cash outflow/(inflow) from increase/(decrease) in liquid resources | -               | -               |
| Change in net debt resulting from cash flows                       | <u>1,012</u>    | <u>(7,476)</u>  |
| Loans acquired on transfer of engagements                          | (2,307)         | -               |
| <b>Movement in net debt in the period</b>                          | <u>(1,295)</u>  | <u>(7,476)</u>  |
| <b>Net debt at 1 April 2007</b>                                    | <u>(41,547)</u> | <u>(34,071)</u> |
| <b>Net debt at 31 March 2008</b>                                   | <u>(42,842)</u> | <u>(41,547)</u> |

**LINK GROUP LIMITED****NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)****31a. ANALYSIS OF NET DEBT - CONSOLIDATED**

|                          | <b>At 1 April<br/>2007<br/>£'000</b> | <b>Cash<br/>Flows<br/>£'000</b> | <b>Transfer of<br/>Engagements<br/>£'000</b> | <b>At 31 March<br/>2008<br/>£'000</b> |
|--------------------------|--------------------------------------|---------------------------------|--|---------------------------------------|
| Cash at bank             | 2,860                                | 6,950                           | -  | 9,810                                 |
| Debt due after one year  | (48,736)                             | (5,836)                         | (2,265)                                      | (56,837)                              |
| Debt due within one year | (170)                                | -                               | (42)   | (212)                                 |
|                          | <u>(48,906)</u>                      | <u>(5,836)</u>                  | <u>(2,307)</u>                               | <u>(57,049)</u>                       |
| Liquid resources         | -                                    | -                               | -  | -                                     |
|                          | <u>(46,046)</u>                      | <u>1,114</u>                    | <u>(2,307)</u>                               | <u>(47,239)</u>                       |

**31b. ANALYSIS OF NET DEBT - LINK GROUP LIMITED**

|                          | <b>At 1 April<br/>2007<br/>£'000</b> | <b>Cash<br/>Flows<br/>£'000</b> | <b>Transfer of<br/>Engagements<br/>£'000</b> | <b>At 31 March<br/>2008<br/>£'000</b> |
|--------------------------|--------------------------------------|---------------------------------|--|---------------------------------------|
| Cash at bank             | 1,453                                | 7,005                           | -  | 8,458                                 |
| Debt due after one year  | (43,000)                             | (5,992)                         | (2,265)                                      | (51,257)                              |
| Debt due within one year | -                                    | (1)                             | (42)   | (43)                                  |
|                          | <u>(43,000)</u>                      | <u>(5,993)</u>                  | <u>(2,307)</u>                               | <u>(51,300)</u>                       |
| Liquid resources         | -                                    | -                               | -  | -                                     |
|                          | <u>(41,547)</u>                      | <u>1,012</u>                    | <u>(2,307)</u>                               | <u>(42,842)</u>                       |

**32. PENSIONS****Defined Contribution Scheme**

170 members of staff are members of the Link Group personal pension scheme (2007, 163), 26 of whom are employed by Link Group Limited (2007, 24). 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 2008 amounted to £450,756 (2007, £461,314), of which £94,175 was made in relation to Link Group Limited staff (2007, £122,231).

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)

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#### 32. PENSIONS (continued)

##### Defined Benefit Scheme

##### General

Link Group Limited 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 Scheme currently operates with a single benefit structure, final salary with a 1/60<sup>th</sup> accrual rate. From April 2008 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Link Group Limited has elected to continue to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

Link Group paid contributions at the rate of 17.5% (Larkfield H.A. Limited 14%), amounting to £75,141 (2007, £58,532), during the accounting period for 16 members of staff (2007, 15), of which £5,895 (2007, £5,482), related to 1 member of Link Group Limited staff (2007, 1). Member contributions were 7.0%.

As at the balance sheet date there were 16 (2007, 15) active members of the Scheme employed by Link Group and subsidiaries, of which 1 member (2007,1) is employed by Link Group Limited. The annual pensionable payroll in respect of these members was £458,014, of which Link Group Limited paid £33,685. Link Group Limited has closed the scheme to new entrants, however, Larkfield Housing Association, a subsidiary of Link Group, continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

##### Valuation Results

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million (equivalent to a past service funding level of 83%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)

#### 32. PENSIONS (continued)

Scheme to £310 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £28 million, equivalent to a past service funding level of 91.8%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

#### Financial Assumptions

The financial assumptions underlying the valuation at 30<sup>th</sup> September 2006 were as follows: -

|   | % pa |
|---|------|
| - Investment return pre retirement                                | 7.20 |
| - Investment return post retirement                               | 4.90 |
| - Rate of salary increases  | 4.60 |
| - Rate of pension increases:                                      |      |
| Pension accrued pre 6 April 2005                                  | 2.60 |
| Pension accrued from 6 April 2005                                 | 2.25 |
| (for leavers before 1 October 1993 pension increases are 5.0% pa) |      |
| - Rate of price inflation   | 2.60 |

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

|                | Male<br>Assumed life expectancy in years at<br>age 65 | Female<br>Assumed life expectancy in years at<br>age 65 |
|----------------|---|---|
| Non-pensioners | 21.6  | 24.4  |
| Pensioners     | 20.7  | 23.6  |

The long-term joint contribution rates required from employers and members to meet the cost of *future* benefit accrual were assessed as:

| Benefit structure    | Long-term joint contribution rate<br>(% of pensionable salaries per annum) |
|----------------------|--|
| Final salary 60ths   | 17.8   |
| Career average 60ths | 14.6   |
| Career average 70ths | 12.6   |

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008.

## LINK GROUP LIMITED

### NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008 (Continued)

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#### 32. PENSIONS (continued)

It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures will be:

| Benefit structure    | Joint contribution rate<br>(% of pensionable salaries per annum)                    |
|----------------------|---|
| Final salary 60ths   | 23.1<br>comprising employer contributions of 15.4% and member contributions of 7.7% |
| Career average 60ths | 19.9<br>comprising employer contributions of 13.3% and member contributions of 6.6% |
| Career average 70ths | 17.9<br>comprising employer contributions of 11.9% and member contributions of 6.0% |

A small number of employers that have closed the Scheme to new entrants, including Link Group Limited are required to pay an additional contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2010.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2009. An Actuarial Report will be prepared as at 30 September 2008 in line with statutory regulations.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt would be due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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, does not intend to withdraw from the scheme and the trustee has confirmed that there is no intention to wind up the Scheme.