

LINK GROUP LIMITED



LINKGROUP

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2009

**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 2009

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LINK GROUP LIMITED

BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS

BOARD OF MANAGEMENT

R Robertson (Chairman)	J O'Neill
P Foreman (Vice-Chairman)	M Sibbald (Resigned October 2008)
T Clark	B Reidford
W Hayhurst (Resigned April 2009)	S Leask (Resigned November 2008)
J Hinton	E Banks
C Macneill	A Colston
D McMillan	D Esslemont
R Shorter (Appointed June 2009)	

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

AUDITORS

Scott-Moncrieff

BANKERS

Bank of Scotland

SOLICITORS

Burness Solicitors LLP

FUNDERS

Royal Bank of Scotland plc

Lloyds TSB Scotland plc

REGISTERED OFFICE

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LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its report and the Group accounts for the year ended 31 March 2009.

PRINCIPAL ACTIVITY

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Financial Performance

Link Group Limited (“Link” or the “Association”) achieved a surplus for the year of £0.6M (2008, £2M). The decrease in the surplus for the year was due mainly to a reduced Gain on Disposal of Properties. In particular the gain arising in 2008 was higher than normal as it included the sale of the Association’s former head office premises at Albany Street, Edinburgh.

Turnover and Operating Costs increased by approximately 12% and 17%, to £20.4M and £18M, respectively, resulting in a decrease in the Operating Surplus from £2.7M to £2.4M. Included in Operating Costs is expenditure on Reactive Maintenance, Planned and Cyclical Maintenance and Major Repairs, the cost of which was £9M in 2009 (2008, £8.2M).

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 is influenced by Link’s Asset Management Strategy, which assesses 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 £1.6M in 2009 (2008, £1.4M)

At 31 March 2009 Link’s total reserves amounted to £31.7M, a decrease of £3.4M from 2008. The decrease in reserves was principally attributed to the release of £3.9M of the Negative Goodwill Reserve. The reserve itself was created many years ago when Link took over another housing association. At the time Link committed to investing the equivalent value of the reserve in re-developing old tenement blocks in Clydebank. A new build project of 42 units is virtually complete and, as the project is being developed without HAG or any other subsidy, the final cost exceeds the value of affordable rented housing (as determined by the rents charged) The permanent diminution in value has been accounted for in the sum of £3.9M and the same sum released from the Negative Goodwill Reserve. As such the adjustment has had no net impact on the Income and Expenditure Account.

Link’s Revenue Reserves increased from £13.9M in 2008 to £14.5M in 2009, as a result of achieving a Surplus for the Year of £0.6M. In addition to providing funds for re-development, these reserves are required to support the planned maintenance investment programme (if required) and provide a hedge against risk. Included in the £31.7M of total reserves, the Designated Reserve for Future Maintenance amounted to £16.4M (2008, £16.4M).

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 central Scotland through the provision of shared equity grants. The scheme (Open Market Shared Equity Pilot) is promoted by the Scottish Government and operated by Link. 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.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

The cumulative grants received and paid out to successful applicants amounted to £38.3M at 31 March 2009 (2008, £22.8M) In the consolidated balance sheet these grants awarded and received are included in Debtors and Creditors respectively.

In addition to the administration of the shared equity pilot by Link Homes, Link has purchased and is in the course of constructing properties to be sold on a shared equity basis. This initiative, called New Supply Shared Equity, is also grant funded and operates according to the same principles as the shared equity pilot.

The consolidated results of the group reflect the results of the subsidiary companies. The total retained surplus of the group amounted to £0.7M (2008, £2.1M). The Board welcomes the positive contribution by the subsidiaries.

Investment and Financing

During the year Link invested £17M (2008, £8.1M) 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 (HAG) of £9M (2008, £4.1M) with the balance funded by loans drawn under the syndicated loan facility.

During the year Link drew down a further £6M under its syndicated loan facility with the Royal Bank of Scotland and by March 2009 Link had drawn down the entire £55M loan facility. To finance its development programme Link concluded negotiations with the Royal Bank of Scotland to extend the facility to £65M. In addition, Link negotiated with Abbey National Treasury Services plc for a further £15M facility. Both facilities were formally accepted in the new financial year (2009/10). Link will draw on these facilities over the next three years based on the anticipated development programme.

Link's Treasury Management policy aims to maintain approximately 60% to 70% of Link's borrowings on fixed interest rates, maturing over a rolling period, as a hedge against adverse movements in variable interest rates. At March 2009, 63% of Link borrowings were subject to long-term fixed interest rates, with the remaining 37% mostly on one month variable rate loans.

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, therefore (when completed) these properties will also be available as security for future borrowings. The estimated Existing-Use value of these properties is approximately £26M.

In the latter part of the financial year Link participated in the Scottish Government's accelerated HAG programme, which was part of a national programme to purchase properties and sites which had not been sold due to the economic situation, particularly as regards the housing market. Link also used its own resources in purchasing sites to safeguard future housing supply.

Link has a continuing, substantial investment programme. Its target is to complete approximately 150 properties per annum for rent and low cost home ownership/shared ownership/ shared equity over the 5-year business plan period 2009/10 to 2013/14. The current development programme will generate 712 properties in the five-year period, necessitating a capital investment of £80M - funded by a mix of grants, loans and from internal resources.

Operating Performance

Link's Customer Service Centre (CSC) operates from office premises in Callendar Business Park, Falkirk. The CSC 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.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

During the year Link continued to perform well in terms of Key Financial Performance Indicators. Results from The Scottish Housing Regulator's Register of Social Landlord (RSL) Statistics for 2007/08 demonstrated that Link's voids (as a percentage of rent receivable) were 0.6% compared to 1.7% for all RSLs and to the median result of 0.7%.

Total rent arrears (as a percentage of rent receivable) were 4.7% compared to the all-RSL result of 5.6% and the median result of 4.7%. In addition the percentage of re-lets achieved within 4 weeks was 80% compared to the all-RSL result of 58% (median 69%). The average relet time was 21 days compared to the all-RSL result of 44 days (median 22 days). Link's 2008/09 results continue to reflect excellent performance with voids at 0.6% of rent receivable (2008, 0.5%) and gross arrears at 4.5% (2008, 5.1%) and net arrears (net of bad debt provision) at 3% (2008, 3.4%)

The Board is satisfied that Link performs well compared with 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 it has more than comfortably achieved lending covenants.

Group Strategy

Each year Link's Board sets strategic objectives for the group and it consults the subsidiary companies about these. Following agreement to the Strategic Objectives, the Board also consults the subsidiaries about setting key objectives and targets 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 its 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 to expanding the development programme, attracting other RSLs to join the group and maximising procurement efficiencies. Link has also re-affirmed its commitment to ensure continued development of efficient, quality services and has committed resources to support subsidiaries to expand and diversify service provision.

In 2007/08 Link and Linstone Housing Association signed a Joint Statement of Intent which anticipated Linstone joining the group during 2008/09. Linstone's Management Committee however re-considered the option appraisal (which had originally advocated it joining a group structure) and concluded that it would not be in its best interests to be part of a group structure. Accordingly no further discussions with Linstone have taken place on this matter.

During the year Link was selected by Horizon Housing Association as its preferred partner. Link and Horizon signed a Joint Statement of Intent which anticipates Horizon joining the group during 2009/10. Horizon, which is based in Livingston, operates across central Scotland and has over 700 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 (a number of which are dormant companies). The results of the subsidiaries are included in these accounts and reflected in the Consolidated Income and Expenditure account and Consolidated Balance Sheet. The purposes and constitutions 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 an 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 are 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 it appoints the Board Members of subsidiary companies on the recommendation of the subsidiary company's Board.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

The Chairperson of each subsidiary is normally a member of the Link Group Limited Board, some members of which 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.

Business Outlook

Link has a strong development programme and is committed both to growth in its services to customers and attracting other RSLs to join the group. The financial outlook is even more uncertain than at this time last year since, as a result of the “credit crunch” and its impact on financial institutions, fewer lenders have either the appetite or resources to lend to RSLs. Those that do cannot offer terms as competitive as most RSLs have enjoyed over the last few years. Nevertheless, Link is in a very strong position and has been able to arrange £25M of new facilities to complete its development programme.

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. In December 2008 a further paper entitled “Investing in Affordable Housing: A Consultation” was published. The paper proposed fundamental changes to the way in which the Scottish Government distributes HAG. The Scottish Government announced in June 2009 that it did not intend to implement a number of the proposals, at least at this time. Nevertheless, along with many other RSLs, Link recognises that changes are required to streamline the grant system so that more, much needed affordable housing can be provided.

One of Link’s subsidiaries (LinkLiving) provides care and support services for the group. During the year Link Group and LinkLiving completed a strategy to review the operating cost base of the support services, the outcome of which was to agree new terms and conditions of employment for all staff employed by LinkLiving. The aim of the strategy was to reduce costs substantially so that LinkLiving was better placed to win tenders for local authority support contracts. The new terms and conditions will play a major part in achieving that objective.

Link continues to be involved in new initiatives and during the year Link was appointed by the Scottish Government to administer the Open Market Shared Equity Pilot project in the East and West of Scotland, covering 23 local authority areas. Out of the Scotland-wide budget of £60M the amount allocated to these two areas amounts to £49.5M.

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 Link. Current membership of the Board is set out on page 1. Board membership at March 2009 and at the date of this report, stood at 12 members. Each Board Member holds one fully paid share of £1 in Link. The Directors of Link (who are staff members) have no beneficial interest in its 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 which produced an updated Equality and Diversity Policy, approved by the Board. All staff attend training in Equality and Diversity.

Employee Involvement

Throughout the group Link employed, on average, 337 staff (of whom 37 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.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

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 and all its subsidiaries 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 1st September 2009.

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

- there is no relevant information of which Link'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

14th July 2009

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS

Internal Financial Control

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

Corporate Governance

In 2007/08 the Board adopted the Regulatory Code of Governance published by the Scottish Housing Regulator and undertook the Regulator's recommended self-assessment exercise over a series of Board meetings. The Board continues to be satisfied that Link complies with the Regulatory Code of Governance.

Management Structure

Link 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 Policy Manager (supported by the Strategy and Business Support team and Link's Policy Forum) co-ordinates 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 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 Link 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)

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.

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 seven 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 advises 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)

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 (a staff group) 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

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

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 2009 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 Board of Management's 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 2009 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)**

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

14 July 2009

LINK GROUP LIMITED**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2009**

	Notes	2009 £'000	2008 £'000
Turnover	3a	26,445	24,050
Less: Operating Costs	3a	<u>(23,748)</u>	<u>(20,890)</u>
Operating Surplus	3a	<u>2,697</u>	<u>3,160</u>
Interest receivable		266	254
Interest payable	7	(2,946)	(3,232)
Gain on Disposal of Properties		<u>641</u>	<u>1,960</u>
Surplus for the year before taxation		658	2,142
Corporation Tax	11	<u>-</u>	<u>-</u>
Surplus for the year after taxation		<u><u>658</u></u>	<u><u>2,142</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

**LINK GROUP LIMITED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2009**

	Notes	2009 £'000	2008 £'000
Turnover	3b	20,395	18,149
Less: Operating Costs	3b	<u>(18,044)</u>	<u>(15,421)</u>
Operating Surplus	3b	<u>2,351</u>	<u>2,728</u>
Interest receivable		337	227
Interest payable	7	(2,710)	(2,854)
Gain on Disposal of Properties	6	<u>625</u>	<u>1,919</u>
Surplus for the year		<u><u>603</u></u>	<u><u>2,020</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 2009

	Notes	2009 £'000	2008 £'000
Tangible Fixed Assets			
Housing Properties - Depreciated Cost	13a	252,404	243,456
Less: Social Housing Grants	13a	(169,031)	(161,782)
Other Public Grants	13a	(2,398)	(2,398)
		<u>80,975</u>	<u>79,276</u>
Other Fixed Assets	14a	7,688	7,955
Investments	15	-	-
		<u>88,663</u>	<u>87,231</u>
Current Assets			
Work in Progress	16	8,440	560
Debtors	17	43,269	25,118
Cash at bank and in hand		4,777	9,810
		<u>56,486</u>	<u>35,488</u>
Creditors: amounts falling due within one year	18	<u>(49,126)</u>	<u>(29,170)</u>
Net Current Assets		<u>7,360</u>	<u>6,318</u>
Total Assets Less Current Liabilities		96,023	93,549
Creditors: amounts falling due after more than one year	19	<u>(62,796)</u>	<u>(57,037)</u>
Net Assets		<u>33,227</u>	<u>36,512</u>
Capital and Reserves			
Share Capital	20	-	-
Designated Reserve	21	16,396	16,396
Restricted Reserve	22	14	-
Negative Goodwill	23	876	4,819
Revenue Reserve	24a	15,941	15,297
		<u>33,227</u>	<u>36,512</u>

Authorised for issue by the Board of Management on 14 July 2009 and signed on its behalf by:-

E Banks, Board Member

B Reidford, 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 2009

	Notes	2009 £'000	2008 £'000
Tangible Fixed Assets			
Housing Properties - Depreciated Cost	13b	246,027	236,975
Less: Social Housing Grants	13b	(168,986)	(161,782)
Other Public Grants	13b	(2,398)	(2,398)
		<u>74,643</u>	<u>72,795</u>
Other Fixed Assets	14b	7,473	7,725
Investments	15	50	50
		<u>82,166</u>	<u>80,570</u>
Current Assets			
Work In Progress	16	8,101	-
Debtors	17	4,689	2,328
Cash at bank and in hand		3,216	8,458
		<u>16,006</u>	<u>10,786</u>
Creditors: amounts falling due within one year	18	<u>(9,231)</u>	<u>(5,015)</u>
Net Current Assets		<u>6,775</u>	<u>5,771</u>
Total Assets Less Current Liabilities		88,941	86,341
Creditors: amounts falling due after more than one year	19	<u>(57,197)</u>	<u>(51,257)</u>
Net Assets		<u>31,744</u>	<u>35,084</u>
Capital and Reserves			
Share Capital	20	-	-
Designated Reserve	21	16,396	16,396
Negative Goodwill	23	876	4,819
Revenue Reserve	24b	14,472	13,869
		<u>31,744</u>	<u>35,084</u>

Authorised for issue by the Board of Management 14 July 2009 and signed on its behalf by:-

E Banks, Board Member

B Reidford, 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 2009**

	Notes	2009 £'000	2008 £'000
Net cash inflow from operating activities	28	458	4,611
Returns on investments and servicing of finance	29a	(2,459)	(2,962)
Taxation		-	-
Capital expenditure	29b	(8,816)	(2,775)
Transfer of engagements	29c	-	2,240
		<hr/>	<hr/>
Cash (outflow)/inflow before use of liquid resources and financing		(10,817)	1,114
Management of Liquid Resources		-	-
Financing	29d	<hr/> 5,784	<hr/> 5,836
(Decrease)/increase in cash		<hr/> <hr/> (5,033)	<hr/> <hr/> 6,950

LINK GROUP LIMITED**LINK GROUP LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009 £'000	2008 £'000
Net cash inflow from operating activities	28	(200)	4,391
Returns on investments and servicing of finance	29a	(2,145)	(2,615)
Taxation		-	-
Capital expenditure	29b	(8,850)	(3,004)
Transfer of engagements	29c	-	2,240
		<hr/>	<hr/>
Cash (outflow)/inflow before use of liquid resources and financing		(11,195)	1,012
Management of liquid resources		-	-
Financing	29d	<hr/> 5,953	<hr/> 5,993
(Decrease)/increase in cash		<hr/> <hr/> (5,242)	<hr/> <hr/> 7,005

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 2008.

(b) Basis of Consolidation

The group financial statements consolidate those of Link Group Limited and of its subsidiary undertakings drawn up to 31 March 2009. 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.

(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 affordable housing for sale projects are credited against work in progress and therefore cost of sales is stated net of grants received.

Grants received for Shared Equity initiatives are included in creditors and the grants made to successful Shared Equity applicants are included in debtors.

(f) Mortgages

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

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.

(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, in the absence of any known future costs. In the event that future costs crystallise, an appropriate adjustment is made to the carrying value of negative goodwill. (see note 23).

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (continued)

1. ACCOUNTING POLICIES (continued)

(k) Apportionment of Management Expenses

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

(l) Pension Costs

The Association participates in two pension schemes, a defined benefits pension scheme and a group personal pension scheme (a defined contribution scheme). The Association's contributions for 2008/2009 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 2008/2009, 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.

Also included is any income from first tranche shared ownership disposals. This represents a change in accounting policy arising from the adoption of SORP 2008. The Board of Management have examined Link Group's recent history of shared ownership disposals and is satisfied that no prior year adjustment is required.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

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

	Turnover 2009 £'000	Operating Costs 2009 £'000	Operating Surplus/ (Deficit) 2009 £'000	Turnover 2008 £'000	Operating Costs 2008 £'000	Operating Surplus/ (Deficit) 2008 £'000
Social Lettings (note 4a)	20,941	(16,149)	4,792	18,894	(14,716)	4,178
Other Activities (note 5a)	5,504	(7,559)	(2,095)	5,156	(6,174)	(1,018)
	<u>26,445</u>	<u>(23,748)</u>	<u>2,697</u>	<u>24,050</u>	<u>(20,890)</u>	<u>3,160</u>

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

	Turnover 2009 £'000	Operating Costs 2009 £'000	Operating Surplus/ (Deficit) 2009 £'000	Turnover 2008 £'000	Operating Costs 2008 £'000	Operating Surplus/ (Deficit) 2008 £'000
Social Lettings (note 4b)	18,242	(13,804)	4,438	16,408	(12,714)	3,694
Other Activities (note 5b)	2,153	(4,240)	(2,087)	1,741	(2,707)	(966)
	<u>20,395</u>	<u>(18,044)</u>	<u>2,351</u>	<u>18,149</u>	<u>(15,421)</u>	<u>2,728</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

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

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership Housing £'000	2009 Total £'000	2008 Total £'000
Income from rent and service charges					
Rents receivable net of service charges	18,849	35	883	19,767	17,816
Service charges	1,101	-	17	1,118	997
Gross income from rent and service charges	19,950	35	900	20,885	18,813
Less: Rent losses from voids	(107)	-	(1)	(108)	(87)
Net income from rent and service charges	19,843	35	899	20,777	18,726
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	16	-	-	16	89
Other income	148	-	-	148	79
Total turnover from social letting activities	20,007	35	899	20,941	18,894
Expenditure					
Management & maintenance administration costs	3,557	1	94	3,652	3,368
Service Charges	1,089	-	14	1,103	1,053
Planned & cyclical maintenance & Major Repairs	5,768	66	3	5,837	5,349
Reactive maintenance costs	3,671	-	-	3,671	3,219
Bad Debts – rents & service charges	181	3	6	190	169
Depreciation of Social Housing	1,589	4	103	1,696	1,558
Impairment of Social Housing	3,943	-	-	3,943	-
Release of Negative Goodwill	(3,943)	-	-	(3,943)	-
Operating costs for social letting activities	15,855	74	220	16,149	14,716
Operating Surplus / (Deficit) for social lettings 2009	4,152	(39)	679	4,792	4,178
Operating Surplus / (Deficit) for social lettings 2008	3,500	15	663	4,178	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

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

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership Accommodation £'000	2009 Total £'000	2008 Total £'000
Income from rent and service charges					
Rents receivable net of service charges	17,430	35	883	18,348	16,443
Service charges	-	-	-	-	-
Gross income from rent and service charges	17,430	35	883	18,348	16,443
Less: Rent losses from voids	(105)	-	(1)	(106)	(79)
Net income from rent and service charges	17,325	35	882	18,242	16,364
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	44
Total turnover from social letting activities	17,325	35	882	18,242	16,408
Expenditure					
Management & maintenance administration costs	2,963	1	149	3,113	3,004
Service Charges	-	-	-	-	-
Planned & cyclical maintenance & Major Repairs	5,365	66	3	5,434	5,189
Reactive maintenance costs	3,525	0	-	3,525	3,010
Bad Debts – rents & service charges	167	3	6	176	92
Depreciation of Social Housing	1,448	4	104	1,556	1,419
Impairment of Social Housing	3,943	-	-	3,943	-
Release of Negative Goodwill	(3,943)	-	-	(3,943)	-
Operating costs for social letting activities	13,468	74	262	13,804	12,714
Operating Surplus / (Deficit) for social lettings 2009	3,857	(39)	620	4,438	3,694
Operating Surplus / (Deficit) for social lettings 2008	3,061	15	618	3,694	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

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

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover 2009 £'000	Operating Costs 2009 £'000	Operating Surplus / (Deficit) 2009 £'000	Total Turnover 2008 £'000	Operating Costs 2008 £'000	Operating Surplus / (Deficit) 2008 £'000
Wider role activities	282	40	-	15	337	(711)	(374)	434	(817)	(383)
Factoring	-	63	-	61	124	(165)	(41)	109	(113)	(4)
Development and construction of property activities	-	-	-	2	2	(451)	(449)	-	(277)	(277)
Care & Support activities	-	438	2,773	579	3,790	(4,373)	(583)	3,859	(4,332)	(473)
Agency/management services for RSLs	-	-	-	29	29	(22)	7	263	(250)	13
Other agency / management services	-	-	-	-	-	(5)	(5)	9	(14)	(5)
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs (incl. shared ownership 1 st tranches & shared equity sales)	-	-	-	726	726	(729)	(3)	-	(28)	(28)
Amortisation of Negative Goodwill	-	-	-	-	-	-	-	-	401	401
Business & other development costs	-	-	-	-	-	(533)	(533)	-	(343)	(343)
Publicity and Promotion	-	-	-	-	-	(188)	(188)	-	(183)	(183)
Shared Equity and Sales Administration	472	-	-	4	476	(422)	54	405	(218)	187
Other Activities	-	-	-	20	20	-	20	77	-	77
Total from Other Activities 2009	754	541	2,773	1,436	5,504	(7,599)	(2,095)	5,156	(6,174)	(1,018)
Total from Other Activities 2008	590	642	2,777	1,147	5,156	(6,174)	(1,018)			

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

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

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover 2009 £'000	Operating Costs 2009 £'000	Operating Surplus / (Deficit) 2009 £'000	Total Turnover 2008 £'000	Operating Costs 2008 £'000	Operating Surplus / (Deficit) 2008 £'000
Wider role activities	-	-	-	-	-	(389)	(389)	-	(350)	(350)
Factoring	-	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	(449)	(449)	-	(277)	(277)
Care & Support activities	-	-	-	-	-	(599)	(599)	-	(473)	(473)
Agency/management services for RSLs	-	-	-	26	26	(22)	4	56	(44)	12
Other agency / management services	-	-	-	1,398	1,398	(1,402)	(4)	1,404	(1,410)	(6)
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs (incl. shared ownership 1 st tranches & shared equity sales)	-	-	-	511	511	(643)	(132)	-	-	-
Amortisation of Negative Goodwill	-	-	-	-	-	-	-	-	401	401
Gift Aid from subsidiaries	-	-	-	198	198	-	198	204	-	204
Business & other development costs	-	-	-	-	-	(517)	(517)	-	(343)	(343)
Publicity and Promotion	-	-	-	-	-	(187)	(187)	-	(182)	(182)
Shared Equity and Sales Administration	-	-	-	-	-	(32)	(32)	-	(29)	(29)
Other Activities	-	-	-	20	20	-	20	77	-	77
Total from Other Activities 2009	-	-	-	2,153	2,153	(4,240)	(2,087)	1,741	(2,707)	(966)
Total from Other Activities 2008	-	-	-	1,741	1,741	(2,707)	(966)			

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

6. GAIN ON DISPOSAL OF FIXED ASSETS

In the year to 31 March 2009 Link Group Limited achieved a gain on disposal of fixed assets of £624,997 compared to a gain in 2008 of £1,919,000, which included a gain on sale of £1,500,000 on the sale of the Association's former head office premises. During the year, Link continued to sell properties under the Right to Buy legislation and also the onward sale of Shared ownership tranches.

7. INTEREST PAYABLE AND SIMILAR CHARGES

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

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Income and Expenditure Account – Loan Interest	2,946	3,232	2,710	2,854
Capitalised in work in progress	96	9	-	-
	<u>3,042</u>	<u>3,241</u>	<u>2,710</u>	<u>2,854</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

8. DIRECTORS' AND BOARD MEMBERS' EMOLUMENTS

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

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Emoluments (including pension contributions)	382	307	235	166

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

Emoluments (excluding pension contributions)	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	No.	No.	No.	No.
£60,000 - £69,999	4	3	2	1
£70,000 - £79,999	-	-	-	-
£80,000 - £89,999	1	1	1	1
	5	4	3	2

The emoluments of the highest paid Director, who is the Chief Executive are £84,655 (2008, £81,728).

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 £9,772 (2008, £9,396).

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

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Travel expenses reimbursed to Board and Committee Members	14	13	4	6

During the year there were two tenant Link Group Board Members (2008, two) whose tenancies were on normal terms.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

9. EMPLOYEES

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Staff costs during the year:				
Wages and salaries	7,272	7,052	1,263	1,117
Social Security costs	706	669	137	117
Other pension costs	586	530	117	100
	<u>8,564</u>	<u>8,251</u>	<u>1,517</u>	<u>1,334</u>

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	No.	No.	No.	No.
The average monthly number of persons employed during the year	<u>337</u>	<u>361</u>	<u>37</u>	<u>41</u>

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	No	No.	No.	No.
The average monthly full time equivalent persons employed during the year	<u>294</u>	<u>320</u>	<u>36</u>	<u>37</u>

10. AUDITORS' REMUNERATION

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
The remuneration of the auditors (including expenses and VAT) for the year				
Audit services	53	47	21	16
Other services	3	6	3	1
	<u>56</u>	<u>53</u>	<u>24</u>	<u>17</u>

11. TAXATION

Link Group Limited has charitable status for taxation purposes. In the year to 31 March 2009 it is considered that the Association's activities were within the scope of the charitable status and accordingly no provision for taxation is necessary for Link Group Limited.

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

	Consolidated	
	2009	2008
	£'000	£'000
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 2009 (Continued)**

12. HOUSING STOCK – LINK GROUP**Analysis of Housing Stock by Accommodation Type**

	Units in Management		Units Under Development	
	31 March 2009 Units	31 March 2008 Units	31 March 2009 Units	31 March 2008 Units
Link Group Limited				
Housing accommodation for letting	5,730	5,625	114	58
Supported accommodation	16	15	-	-
Shared Ownership accommodation	508	502	19	3
Larkfield Housing Association Limited				
Housing accommodation for letting	401	402	-	-
Total units in management	<u>6,655</u>	<u>6,544</u>	<u>133</u>	<u>61</u>

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

Organisation	Units	
	31 March 2009 Units	31 March 2008 Units
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 2009 (Continued)

13a. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES – CONSOLIDATED

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	Shared Ownership properties in course of construction £'000	2009 Total £'000	2008 Total £'000
Cost						
At 1 April 2008	224,294	19,682	9,469	723	254,168	242,457
Transfer of Engagements	-	-	-	-	-	5,919
Additions	746	36	14,718	1,550	17,050	8,084
Impairment Write-down	-	-	(3,943)	-	(3,943)	-
Transfer Shared Equity & Shared Ownership 1 st tranche to WIP	-	-	(1,161)	(549)	(1,710)	-
Transfers	9,439	8	(9,439)	(8)	-	-
Disposals - initial tranches	-	-	-	-	-	(176)
- other sales	(348)	(432)	-	-	(780)	(2,116)
At 31 March 2009	234,131	19,294	9,644	1,716	264,785	254,168
Depreciation						
At 1 April 2008	9,928	784	-	-	10,712	9,233
Transfer of Engagements	-	-	-	-	-	-
Provided during the year	1,593	104	-	-	1,697	1,559
On Disposals	(19)	(9)	-	-	(28)	(80)
At 31 March 2009	11,502	879	-	-	12,381	10,712
Depreciated Cost	222,629	18,415	9,644	1,716	252,404	243,456
Housing Association Grant						
At 1 April 2008	142,054	14,974	4,190	564	161,782	157,020
Transfer of Engagements	-	-	-	-	-	1,539
Additions	130	-	7,967	908	9,005	4,113
Transfer Shared Equity Grant to Creditors	-	-	(765)	-	(765)	-
Transfers	5,070	1	(5,070)	(1)	-	-
Repaid and abated during year	(363)	(628)	-	-	(991)	(890)
At 31 March 2009	146,891	14,347	6,322	1,471	169,031	161,782
Other Capital Grants						
At 1 April 2008	2,384	14	-	-	2,398	2,393
Transfer of Engagements	-	-	-	-	-	-
Additions	-	-	-	-	-	5
Transfers	-	-	-	-	-	-
Repaid and abated during year	-	-	-	-	-	-
At 31 March 2009	2,384	14	-	-	2,398	2,398
Net Book Value at 31 March 2009	73,354	4,054	3,322	245	80,975	79,276
Net Book Value at 31 March 2008	69,928	3,910	5,279	159	79,276	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

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

	Housing properties held for letting £'000	Shared Ownership housing properties £'000	Housing properties in course of construction £'000	Shared Ownership properties in course of construction £'000	2009 Total £'000	2008 Total £'000
Cost						
At 1 April 2008	216,706	19,682	9,469	723	246,580	234,681
Transfer of Engagements	-	-	-	-	-	5,919
Additions	677	36	14,718	1,550	16,981	8,084
Impairment Write-down	-	-	(3,943)	-	(3,943)	-
Transfer Shared Equity & Shared Ownership 1 st tranche to WIP	-	-	(1,161)	(549)	(1,710)	-
Transfers	9,439	8	(9,439)	(8)	-	-
Disposals - initial tranches	-	-	-	-	-	(176)
- other sales	(310)	(432)	-	-	(742)	(1,928)
At 31 March 2009	226,512	19,294	9,644	1,716	257,166	246,580
Depreciation						
At 1 April 2008	8,821	784	-	-	9,605	8,242
Transfer of Engagements	-	-	-	-	-	-
Provided during the year	1,452	104	-	-	1,556	1,420
On Disposals	(13)	(9)	-	-	(22)	(57)
At 31 March 2009	10,260	879	-	-	11,139	9,605
Depreciated Cost	216,252	18,415	9,644	1,716	246,027	236,975
Housing Association Grant						
At 1 April 2008	142,054	14,974	4,190	564	161,782	157,020
Transfer of Engagements	-	-	-	-	-	1,539
Additions	85	-	7,967	908	8,960	4,113
Transfer Shared Equity Grant to Creditors	-	-	(765)	-	(765)	-
Transfers	5,070	1	(5,070)	(1)	-	-
Repaid and abated during year	(363)	(628)	-	-	(991)	(890)
At 31 March 2009	146,846	14,347	6,322	1,471	168,986	161,782
Other Capital Grants						
At 1 April 2008	2,384	14	-	-	2,398	2,393
Transfer of Engagements	-	-	-	-	-	-
Additions	-	-	-	-	-	5
Transfers	-	-	-	-	-	-
Repaid and abated during year	-	-	-	-	-	-
At 31 March 2009	2,384	14	-	-	2,398	2,398
Net Book Value at 31 March 2009	67,022	4,054	3,322	245	74,643	72,795
Net Book Value at 31 March 2008	63,447	3,910	5,279	159	72,795	

Development administration costs capitalised amounted to £252,196 (2008 - £234,292) for which Housing Association Grant amounting to £354,256 (2008 - £196,051) was received in the year.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

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

	Heritable Office Property £'000	Plant & Equipment £'000	Vehicles £'000	2009 Total £'000	2008 Total £'000
Cost					
At 1 April 2008	7,886	1,122	20	9,028	6,839
Acquired	-	-	-	-	-
Additions	1	142	12	155	4,014
Disposals	(4)	(184)	(1)	(189)	(1,825)
At 31 March 2009	<u>7,883</u>	<u>1,080</u>	<u>31</u>	<u>8,994</u>	<u>9,028</u>
Depreciation					
At 1 April 2008	380	681	12	1,073	1,694
Acquired	-	-	-	-	-
Provided during the year	224	187	7	418	392
On Disposals	-	(184)	(1)	(185)	(1,013)
At 31 March 2009	<u>604</u>	<u>684</u>	<u>18</u>	<u>1,306</u>	<u>1,073</u>
Net Book Value at 31 March 2009	<u>7,279</u>	<u>396</u>	<u>13</u>	<u>7,688</u>	<u>7,955</u>
Net Book Value at 31 March 2008	<u>7,506</u>	<u>441</u>	<u>8</u>	<u>7,955</u>	

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

	Heritable Office Property £'000	Plant & Equipment £'000	Vehicles £'000	2009 Total £'000	2008 Total £'000
Cost					
At 1 April 2008	7,644	1,031	20	8,695	6,348
Additions	1	141	12	154	4,002
Disposals	-	(184)	(1)	(185)	(1,655)
At 31 March 2009	<u>7,645</u>	<u>988</u>	<u>31</u>	<u>8,664</u>	<u>8,695</u>
Depreciation					
At 1 April 2008	359	598	13	970	1,509
Provided during the year	215	185	6	406	352
On Disposals	-	(184)	(1)	(185)	(891)
At 31 March 2009	<u>574</u>	<u>599</u>	<u>18</u>	<u>1,191</u>	<u>970</u>
Net Book Value at 31 March 2009	<u>7,071</u>	<u>389</u>	<u>13</u>	<u>7,473</u>	<u>7,725</u>
Net Book Value at 31 March 2008	<u>7,285</u>	<u>433</u>	<u>7</u>	<u>7,725</u>	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

15. INVESTMENTS

Subsidiary Undertakings

Company	Authorised Share Capital	Issued Share Capital	Principal Activity
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 (company wound up on 19 June 2009)
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
Link Energy Limited	100 £1 shares	£1	General commercial activities relating to renewable energy projects

At 31 March 2009 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 2009, however Link Housing Association (2006) Limited was wound up on 19 June 2009. The issued share capital of Link Property Limited and Link Housing Association is shown at cost within Link Group Limited.

Link Energy Limited was incorporated on 10 November 2008 and has not traded up to the Balance Sheet date.

At 31 March 2009 Linkwide Limited held 100% share capital of the following subsidiary undertakings:

Company	Authorised Share Capital	Issued Share Capital	Principal Activity
Link Homes (2001) Limited	50,000 £1 shares	£50,000	Developing housing for sale

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

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

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

15. INVESTMENTS (continued)

	Shares in Group Undertakings 2009 £	Shares in Group Undertakings 2008 £
Cost		
At 1 April 2008 and 31 March 2009	<u>50,001</u>	<u>50,001</u>
Amounts Written Down		
At 1 April 2008 and 31 March 2009	<u>-</u>	<u>-</u>
Shares Redeemed during the year		
At 1 April 2008 and 31 March 2009	<u>-</u>	<u>-</u>
Net Book Value At 1 April 2008 and 31 March 2009	<u><u>50,001</u></u>	<u><u>50,001</u></u>

16. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
At 1 April 2008	560	33	-	-
Expenditure on development properties	8,012	529	8,167	-
Shared ownership first tranche costs	549	-	549	-
Cost of disposals transferred to cost of sales	(681)	(2)	(615)	-
At 31 March 2009	<u><u>8,440</u></u>	<u><u>560</u></u>	<u><u>8,101</u></u>	<u><u>-</u></u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

17. DEBTORS

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Arrears of rent and service charges	951	952	831	837
Less: Provision for bad and doubtful debts	(313)	(327)	(273)	(284)
HAG receivable	2,668	332	2,668	332
Shared Equity Grants	38,292	22,796	320	-
Other debtors (less provision £63,469 2008 - £24,092)	1,194	940	258	174
Prepayments	477	425	196	104
Due from subsidiaries	-	-	689	1,165
	43,269	25,118	4,689	2,328

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 £55m (see note 19). The amount advanced under this facility was £178,459 at 31 March 2009 (2008 - £544,418).

18. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Housing Loans – current instalments due (Note 19)	237	212	56	43
Shared Equity Grants	42,221	22,967	3,891	-
Trade and other creditors	4,832	4,197	3,783	3,476
Taxation and Social Security	234	218	225	212
Pension Contributions	64	64	64	61
Accruals	991	916	365	221
Rents in advance	547	596	478	513
Amounts owed to group undertakings	-	-	369	489
	49,126	29,170	9,231	5,015

Included in Trade and Other Creditors is an amount of £775,000 (2008, £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.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

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

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Loan Facilities	62,596	56,837	57,197	51,257
The Scottish Government	200	200	-	-
	<u>62,796</u>	<u>57,037</u>	<u>57,197</u>	<u>51,257</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.

Analysis of Loan Facilities	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Housing Loans				
Fixed Rate				
Advanced by Banks	35,000	35,000	35,000	35,000
Advanced by Building Societies	4,066	4,185	1,248	1,272
Variable Rate				
Advanced by Banks	20,000	14,000	20,000	14,000
Advanced by Building Societies	3,767	3,864	1,055	1,028
	<u>62,833</u>	<u>57,049</u>	<u>57,253</u>	<u>51,300</u>

The Association has a syndicated loan facility of £55m, of which £55m had been drawn down as at 31 March 2009 (2008 - £49m). The loan facility is secured over a number of the Association's housing properties. At the Balance Sheet date, negotiations were underway to secure an extended facility.

Interest on the loans was charged at interest rates between 1.437% and 7.162% (2008, between 5.492% and 7.162%).

Analysis of Maturity of Debt

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Amounts Repayable:				
In one year or less, or on demand	237	212	56	43
Between one and two years	251	227	58	46
Between two and five years	1,992	1,537	1,327	915
	<u>2,480</u>	<u>1,976</u>	<u>1,441</u>	<u>1,004</u>
In five years or more	60,353	55,073	55,812	50,296
	<u>62,833</u>	<u>57,049</u>	<u>57,253</u>	<u>51,300</u>

LINK GROUP LIMITED**NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)****20. SHARE CAPITAL**

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
Shares of £1 each fully paid and issued	No.	No.	No.	No.
At beginning of the year	374	402	280	196
Shares issued on Transfer of Engagements	-	56	-	56
Shares issued during the year	7	39	5	31
Shares surrendered during the year	(10)	(123)	-	(3)
Shares of £1 each fully paid at end of the year	<u>371</u>	<u>374</u>	<u>285</u>	<u>280</u>

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

	2009	2008
	Total	Total
	£'000	£'000
Balance at 1 April 2008	16,396	16,196
Transfer of Engagements	-	200
From Income and Expenditure Account	5,367	5,140
To Income and Expenditure Account	(5,367)	(5,140)
At 31 March 2009	<u>16,396</u>	<u>16,396</u>

22. RESTRICTED RESERVE - CONSOLIDATED

	2009	2008
	Total	Total
	£'000	£'000
Balance at 1 April 2008	-	-
From Income and Expenditure Account	14	-
To Income and Expenditure Account	-	-
At 31 March 2009	<u>14</u>	<u>-</u>

23. NEGATIVE GOODWILL – CONSOLIDATED AND LINK GROUP LIMITED

	2009	2008
	Total	Total
	£'000	£'000
Balance at 1 April 2008	4,819	5,220
Amortised during the year	(3,943)	(401)
At 31 March 2009	<u>876</u>	<u>4,819</u>

Negative Goodwill, which arose on a Transfer of Engagements, is normally amortised over 20 years in accordance with the Association's accounting policy. At the time of the Transfer of Engagements, a commitment was made to invest in redevelopment of tenement properties in Clydebank. A new build project is now virtually complete, in respect of which the cost is expected to have exceeded the Existing Use Value for Social Housing by £3,943,000. An equivalent amount has therefore been released from Negative Goodwill, leaving a balance of £876,000 to be set against any further costs to be incurred.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

24a. REVENUE RESERVES - CONSOLIDATED

	2009	2008
	Total	Total
	£'000	£'000
Balance at 1 April 2008	15,297	9,440
Transfer of Engagements	-	3,739
Surplus in the year	658	2,142
Disposal of subsidiary	-	(24)
Net transfer to restricted reserve	(14)	-
Net transfer to designated reserve	-	-
At 31 March 2009	<u>15,941</u>	<u>15,297</u>

24b. REVENUE RESERVES – LINK GROUP LIMITED

	2009	2008
	Total	Total
	£'000	£'000
Balance at 1 April 2008	13,869	8,110
Transfer of Engagements	-	3,739
Surplus in the year	603	2,020
Net transfer to designated reserves	-	-
At 31 March 2009	<u>14,472</u>	<u>13,869</u>

25. CAPITAL COMMITMENTS

At 31 March 2009 authorised and contracted commitments outstanding amounted to approximately £10.1m for Link Group Limited and the group (2008 - £9.2m).

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.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

27. OBLIGATIONS UNDER LEASES

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

CONSOLIDATED	2009		2008	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	29	-	5
In the second to fifth year inclusive	-	17	21	41
Over five years	36	-	31	-
	<u>36</u>	<u>46</u>	<u>52</u>	<u>46</u>

LINK GROUP LIMITED	2009		2008	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	29	-	5
In the second to fifth year inclusive	-	17	21	41
Over five years	36	-	31	-
	<u>36</u>	<u>46</u>	<u>52</u>	<u>46</u>

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

	Consolidated		Link Group Ltd	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Operating surplus	2,697	3,160	2,351	2,728
Depreciation charges	2,111	1,951	1,959	1,771
Impairment charge on housing property	3,943	-	3,943	-
Amortisation of negative goodwill	(3,943)	(401)	(3,943)	(401)
(Decrease)/increase in creditors	19,394	11,106	3,664	(490)
(Increase)/decrease in debtors	(15,865)	(10,678)	(73)	783
(Increase)/decrease in work in progress	(7,879)	(527)	(8,101)	-
Decrease in loans (current liabilities)	-	-	-	-
Net Cash Inflow from Operating Activities	<u>458</u>	<u>4,611</u>	<u>(200)</u>	<u>4,391</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

29. GROSS CASH FLOWS

	Consolidated		Link Group Ltd	
	2009	2008	2009	2008
(a) Returns on Investments and Servicing of Finance	£'000	£'000	£'000	£'000
Interest received	266	254	337	227
Interest paid	(2,725)	(3,216)	(2,482)	(2,842)
	<u>(2,459)</u>	<u>(2,962)</u>	<u>(2,145)</u>	<u>(2,615)</u>
(b) Capital Expenditure				
Sales proceeds of housing accommodation held for disposal	-	176	-	176
Acquisition and construction of housing Properties	(15,268)	(8,311)	(15,199)	(8,311)
Purchase of other fixed assets	(235)	(3,926)	(228)	(3,925)
Capital grants received	5,905	5,616	5,864	5,616
Grants repaid	(504)	(198)	(504)	(198)
Sale proceeds of housing properties	1,286	1,565	1,221	1,335
Sale proceeds of other fixed assets	-	2,303	-	2,303
	<u>(8,816)</u>	<u>(2,775)</u>	<u>(8,850)</u>	<u>(3,004)</u>
(c) Acquisitions and Disposals				
Transfer of Engagements	-	2,240	-	2,240
(d) Financing				
Loan advances received - housing	6,000	6,000	6,000	6,000
Loans redeemed - housing	-	-	-	-
Loan principal repayments - Housing	(216)	(164)	(47)	(7)
	<u>5,784</u>	<u>5,836</u>	<u>5,953</u>	<u>5,993</u>

30a. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT - CONSOLIDATED

	2009	2008
	£'000	£'000
Increase/(decrease) in cash in the period	(5,033)	6,950
Cash (inflow)/outflow from increase/decrease in debt	(5,784)	(5,836)
Cash outflow/(inflow) from increase/(decrease) in liquid resources	-	-
Change in net debt resulting from cash flows	<u>(10,817)</u>	<u>1,114</u>
Loans acquired on transfer of engagements	-	(2,307)
Movement in net debt in the period	<u>(10,817)</u>	<u>(1,193)</u>
Net debt at 1 April 2008	<u>(47,239)</u>	<u>(46,046)</u>
Net debt at 31 March 2009	<u>(58,056)</u>	<u>(47,239)</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009 (Continued)

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

	2009	2008
	£'000	£'000
Increase/(decrease) in cash in the period	(5,242)	7,005
Cash (inflow)/outflow from increase/decrease in debt	(5,953)	(5,993)
Cash outflow/(inflow) from increase/(decrease) in liquid resources	-	-
Change in net debt resulting from cash flows	<u>(11,195)</u>	<u>1,012</u>
Loans acquired on transfer of engagements	-	(2,307)
Movement in net debt in the period	<u>(11,195)</u>	<u>(1,295)</u>
Net debt at 1 April 2008	<u>(42,842)</u>	<u>(41,547)</u>
Net debt at 31 March 2009	<u><u>(54,037)</u></u>	<u><u>(42,842)</u></u>

31a. ANALYSIS OF NET DEBT - CONSOLIDATED

	At 1	Cash	At 31
	April	Flows	March
	2008	£'000	2009
	£'000		£'000
Cash at bank	9,810	(5,033)	4,777
Debt due after one year	(56,837)	(5,760)	(62,596)
Debt due within one year	(212)	(25)	(237)
	<u>(57,049)</u>	<u>(5,785)</u>	<u>(62,833)</u>
Liquid resources	-	-	
	<u>(47,239)</u>	<u>(10,818)</u>	<u>(58,056)</u>

31b. ANALYSIS OF NET DEBT - LINK GROUP LIMITED

	At 1 April	Cash	At 31 March
	2008	Flows	2009
	£'000	£'000	£'000
Cash at bank	8,458	(5,242)	3,216
Debt due after one year	(51,257)	(5,940)	(57,197)
Debt due within one year	(43)	(13)	(56)
	<u>(51,300)</u>	<u>(5,953)</u>	<u>(57,253)</u>
Liquid resources	-	-	
	<u>(42,842)</u>	<u>(11,195)</u>	<u>(54,037)</u>

32. PENSIONS

Defined Contribution Scheme

174 members of staff are members of the Link Group personal pension scheme (2008, 170), 33 of whom are employed by Link Group Limited (2008, 26). 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 2009 amounted to £506,110 (2008, £450,756), of which £115,714 was made in relation to Link Group Limited staff (2008, £94,175).

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 1/60th 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 1/60th 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 18.9% (Larkfield H.A. Limited 15.4%), amounting to £79,518 (2008, £75,141), during the accounting period for 15 members of staff (2008, 16), of which £1,655 (2008, £5,895), related to 1 member of Link Group Limited staff (2008, 1). Member contributions were 7.0%.

As at the balance sheet date there were 15 (2008, 16) active members of the Scheme employed by Link Group and subsidiaries, none of which are employed by Link Group Limited (2008, 1). The annual pensionable payroll in respect of these members was £451,318 (2008, £458,014). The pensionable salary relating to Link Group Limited was £8,758 (2008, £33,685) in respect of a member who left during the year.. 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.

32. PENSIONS (continued)**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 2008. 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 Scheme to £265 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. 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 30th 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 Assumed life expectancy in years at age 65	Female Assumed life expectancy in years at age 65
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

32. PENSIONS (continued)

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 (% 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.

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 (% of pensionable salaries per annum)
Final salary 60ths	23.1 comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9 comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9 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.

32. PENSIONS (continued)

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 has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme at 30 September 2008. As of this date, the estimated employer debt for the Association was £2,376,023.

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.