

LINK GROUP LIMITED



LINKGROUP

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2007

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

LINK GROUP LIMITED

REPORTS AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007

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LINK GROUP LIMITED

BOARD OF MANAGEMENT, DIRECTORS AND ADVISERS

BOARD OF MANAGEMENT

D J A Sievewright (Chairman)
P Stephen-Samuels (Vice-Chairman)
J Christie (Resigned January 2007)
T H Clark
M E Ewing (Resigned February 2007)
P D Foreman
D McMillan (Appointed October 2006)
W Hayhurst

J M Hinton
S G Leask
D Anderson (Resigned January 2007)
C M J Macneill
R Robertson
J O'Neill
M R Sibbald

CHIEF EXECUTIVE AND DIRECTORS

Chief Executive
Director of Finance and Corporate Services/Secretary
Asset Management Director
Director of Human Resources
Director of Customer Services
Director of Housing Support Services
Director of Community Regeneration
Consultant & Interim Manager

C Sanderson
J N Hall
C Culross
H Bayne
M B Middleton
E Johnston
B Higgins
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 2007.

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 £0.9M (2006 £0.7M). The increase in the surplus for the year was due mainly to an increased Gain on Disposal of Housing Properties.

Turnover and Operating Costs increased by approximately 9% and 13%, to £16.5M and £13.8M, respectively, resulting in a decrease in the Operating Surplus from £2.9M to £2.6M. Included in Operating Costs is expenditure on Planned and Cyclical Maintenance and Major Repairs, the cost of which in 2007 was £4.2M (2006, £3.8M).

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. In any year, as a result of timing differences, Link may spend more or less than the required investment. This creates a transfer to or from the Designated Reserve for Future Maintenance to ensure that the funds are available to carry out the necessary works. In 2007 Link transferred £0.01M to the Designated Reserve (2006, £0.1M).

During 2006/07 Link completed stock condition surveys to augment and verify its planned maintenance data as well as to confirm information related to achievement of the Scottish Housing Quality Standard (SHQS). Link's investment in planned maintenance and major repairs will ensure that it meets the SHQS by 2015. 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, rather than a continual cycle of building component replacement.

Link's overall retained surplus for the year increased from £0.7M in 2006 to £0.9M in 2007. This is principally as a result of the higher Gains on Disposal of Housing Properties in 2007 compared to 2006. Despite the Planned Maintenance investment in its stock Link is required by the Statement of Recommended Practice to depreciate its Housing Properties and the Retained Surpluses are calculated after providing for Depreciation of £1.4M in 2007 (2006, £1.3M).

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

At 31 March 2007 Link's total reserves amounted to £29.5M, an increase of £0.5M from 2006. 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 £29.5M of total reserves, the Designated Reserve for Future Maintenance amounted to £16.2M (2006 £16.2M).

During the year Link invested £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 £7.4M with the balance funded by loans drawn under the syndicated loan facility. At March 2007 Link had drawn down £43M of its arranged £60M facility.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

Financial Performance (continued)

Link commissioned a valuation of its housing stock during 2006/07 and over and above 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) In addition 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 to be invested in acquiring housing sites to safeguard future housing supply. Link's target is to complete 800 properties for rent and low cost home ownership over the 5-year business plan period 2007/08 to 2011/12. The current development programme will generate 531 properties in the five-year period and this requires a capital investment of £44.8M, funded by a mix of grants, loans and from internal resources.

Through one of the group subsidiaries, Link Homes (2001) Limited, Link has participated in an initiative designed to assist first-time buyers on low incomes in Edinburgh through providing Homestake Grants. The grants range in value but typically are between 20% and 40% of the purchase price. 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 Communities Scotland. In 2007/08 Link Homes provided 250 grants and the cumulative total of grants received from Communities Scotland and awarded to Homestake applicants amounted to £12M at March 31st 2007. In the consolidated balance sheet of the group the 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 £0.7M (2006 £0.7M). The Board welcomes the positive contribution by the subsidiaries.

Operating Performance

In July 2006 Link established its Customer Service Centre in new 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 Communities Scotland's statistical analysis for all Registered Social Landlords (RSLs) for 2005/06 demonstrated that Link's voids (as a percentage of rent receivable) were 0.9% compared to 1.3% for Link's RSL Peer Group. Rent arrears (as a percentage of rent receivable) were 4.5% compared to the Peer Group result of 4.6%. In addition the percentage of re-lets achieved within 4 weeks was 77% (Peer Group 56.5%) and average relet times were 21 days compared to the Peer Group average of 39 days. Link's 2006/07 results continue to reflect excellent performance with voids at 0.6% of rent receivable and arrears at 3.5% (net of bad debt provision)

The Board is satisfied that Link performs well compared to its Peer Group, (General Registered Social Landlords with more than 1,000 units under management) and also compared to all Registered Social Landlords (RSLs) generally. 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 compares favourably against the Peer Group and RSLs generally.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

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.

Group Structure

Link Group Ltd has charitable status and is a Registered Social Landlord (regulated by Communities Scotland) and is the parent company to eight subsidiaries. The results of the subsidiaries are included in these accounts and reflected in the Consolidated Income and Expenditure account and Consolidated Balance Sheet. The purpose and constitution of the subsidiaries is dealt with in a note to the accounts.

Larkfield Housing Association (which is based in Greenock and has over 400 rented properties under management) joined the Link group as a subsidiary in November 2006. 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 Ltd and the Board Members of subsidiary companies are appointed by Link Group Ltd on the recommendation of the subsidiary company's Board. The Chairperson of each subsidiary is a member of the Link Group Ltd 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 Ltd Board Members.

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

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 2007 stood at twelve members. Each Board Member holds one fully paid share of £1 in the Association. The Directors of the Association (who are staff members) have no beneficial interest in the Association's share capital and they act within the authority delegated by the Board of Management.

Employee Involvement

Link group employed, on average, 328 staff (Link Group Ltd 38 staff), during the year, most of whom are full time and based at offices in Edinburgh, Falkirk, Paisley, Cumbernauld and Kirkcaldy. The Training and Development Plan ensures a high level of continuous training for staff ensuring they have the skills to carry out their jobs in a changing environment. Link Group Limited and all members of the group are accredited Investors in People.

LINK GROUP LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

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 4th September 2007.

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

14 August 2007

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS

Internal Financial Control

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

Management Structure

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

Procedures Manuals

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

Quality and Integrity of Personnel

The integrity and competence of personnel is ensured and maintained through high recruitment standards and subsequent training courses. 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.

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

Management Information Systems

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

Internal Control Systems

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

LINK GROUP LIMITED

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROLS (Continued)

Internal Audit

Internal Audit services are provided by 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 four members and its role is to oversee a detailed risk assessment of Development projects and advise the Board of the risks (short, medium and long-term) associated with these proposed projects. Capital expenditure is also regulated by a budgetary process and detailed authorisation levels in respect of each project. For expenditure beyond specified levels, detailed proposals have to be submitted to the Board. Reviews are carried out during the development period to monitor expenditure and performance. In addition the Committee also reviews Link's Risk Management Strategy and assesses risks associated with major business changes and new initiatives.

Audit Committee

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

Health & Safety

The Board is committed to the provision of a healthy and safe working environment. Link endeavours to eliminate hazards where recognisable, including the risk of fire, security losses, damage to plant, property and the environment, thus significantly reducing the risk of personal injury or occupational ill health to all personnel. The Health & Safety Committee oversee Link's risk assessment programme and regularly review the policy. Link's full-time Health and Safety Officer works closely with the Health and Safety Committee.

Remuneration Committee

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

Statement

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

LINK GROUP LIMITED

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

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

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

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

LINK GROUP LIMITED

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 2007 set out on pages 11 to 41. 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, the Registered Housing Associations (Accounting Requirements)(Scotland) Order 1999 and the Companies Act 1985. We also report to you if, in our opinion, the association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Board 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.

LINK GROUP LIMITED

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the association at 31 March 2007 and of its 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 Housing Associations (Accounting Requirements)(Scotland) Order 1999.

Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Board's statement on pages 6 to 7 on the Association's compliance with the guidance given in Raising Standards in Housing published by the Scottish Federation of Housing Associations.

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

Opinion

With respect of the Board's statement on internal financial control on pages 6 to 7, in our opinion the Board has provided the disclosures required by Raising Standards in Housing and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

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

14 August 2007

LINK GROUP LIMITED

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2007**

	Notes	2007		2006
		£'000	£'000	£'000
Turnover	3a		21,683	<u>21,217</u>
Less:				
Operating Costs	3a	(19,266)		(16,669)
Cost of Sales	3a	<u>46</u>		<u>(1,773)</u>
Operating Surplus	3a		<u>(19,220)</u>	<u>(18,442)</u>
			2,463	2,775
Interest receivable	3a		138	198
Interest payable	3a & 7		(2,490)	(2,511)
Gain on Disposal of Housing Properties	3a		<u>584</u>	<u>210</u>
Surplus for the year before taxation	3a		695	672
Corporation Tax	11		<u>-</u>	<u>-</u>
Surplus for the year after taxation			<u>695</u>	<u>672</u>

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

The notes on pages 17 to 41 form part of these accounts.

LINK GROUP LIMITED**LINK GROUP LIMITED INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED
31 MARCH 2007**

	Notes	2007 £'000	2006 £'000
Turnover	3b	16,464	15,096
Less: Operating Costs	3b	<u>(13,848)</u>	<u>(12,241)</u>
Operating Surplus	3b	<u>2,616</u>	<u>2,855</u>
Interest receivable	3b	120	206
Interest payable	3b & 7	(2,361)	(2,511)
Gain /(Loss) on Disposal of Housing Properties	3b	<u>569</u>	<u>188</u>
Surplus for the year		<u><u>944</u></u>	<u><u>738</u></u>

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

The notes on pages 17 to 41 form part of these accounts.

LINK GROUP LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

	Notes	2007 £'000	2006 £'000
Tangible Fixed Assets			
Housing Properties - Depreciated Cost	13	233,224	224,709
Less: Social Housing Grants	13	(157,020)	(157,532)
Other Public Grants	13	(2,393)	(2,393)
		<u>73,811</u>	<u>64,784</u>
Other Fixed Assets	14a	5,145	1,636
Investments	15	-	-
		<u>78,956</u>	<u>66,420</u>
Current Assets			
Work in Progress	16	33	-
Debtors	17	15,895	3,306
Cash at bank and in hand		2,860	4,835
		<u>18,788</u>	<u>8,141</u>
Creditors: amounts falling due within one year	18	<u>(17,952)</u>	<u>(7,312)</u>
Net Current Assets		<u>836</u>	<u>829</u>
Total Assets Less Current Liabilities		79,792	67,249
Creditors: amounts falling due after more than one year	19	<u>(48,936)</u>	<u>(38,000)</u>
Net Assets		<u>30,856</u>	<u>29,249</u>
Capital and Reserves			
Share Capital	20	-	-
Designated Reserve	21	16,196	16,185
Negative Goodwill	22	5,220	5,621
Revenue Reserve	23a	9,440	7,443
		<u>30,856</u>	<u>29,249</u>

Authorised for issue by the Board of Management on 14 August 2007 and signed on its behalf by:-

P Stephen-Samuels, Vice-Chairman

C M J Macneill, Board Member

J N Hall, Secretary

The notes on pages 17 to 41 form part of these accounts.

LINK GROUP LIMITED

LINK GROUP LIMITED BALANCE SHEET AS AT 31 MARCH 2007

	Notes	2007 £'000	2006 £'000
Tangible Fixed Assets			
Housing Properties - Depreciated Cost	13	226,439	224,709
Less: Social Housing Grants	13	(157,020)	(157,532)
Other Public Grants	13	(2,393)	(2,393)
		<u>67,026</u>	<u>64,784</u>
Other Fixed Assets	14b	4,839	1,586
Investments	15	50	50
		<u>71,915</u>	<u>66,420</u>
Current Assets			
Debtors	17	4,565	2,241
Cash at bank and in hand		1,453	3,929
		<u>6,018</u>	<u>6,170</u>
Creditors: amounts falling due within one year	18	<u>(5,407)</u>	<u>(5,607)</u>
Net Current Assets		<u>611</u>	<u>563</u>
Total Assets Less Current Liabilities		72,526	66,983
Creditors: amounts falling due after more than one year	19	<u>(43,000)</u>	<u>(38,000)</u>
Net Assets		<u>29,526</u>	<u>28,983</u>
Capital and Reserves			
Share Capital	20	-	-
Designated Reserve	21	16,196	16,185
Negative Goodwill	22	5,220	5,621
Revenue Reserve	23b	8,110	7,177
		<u>29,526</u>	<u>28,983</u>

Authorised for issue by the Board of Management 14 August 2007 and signed on its behalf by:-

P Stephen-Samuels, Vice-Chairman

C M J Macneill, Board Member

J N Hall, Secretary

The notes on pages 17 to 41 form part of these accounts

LINK GROUP LIMITED**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007**

	Notes	2007 £'000	2006 £'000
Net cash inflow from operating activities	27	2,805	5,924
Returns on investments and servicing of finance	28a	(2,513)	(2,241)
Taxation		-	-
Capital expenditure	28b	(7,308)	(3,736)
Transfer of engagements	28c	-	-
		<hr/>	<hr/>
Cash outflow before use of liquid resources and financing		(7,016)	(53)
Management of Liquid Resources		-	-
Financing	28d	<hr/> 5,041	<hr/> -
Decrease in cash		<hr/> <hr/> (1,975)	<hr/> <hr/> (53)

LINK GROUP LIMITED**LINK GROUP LIMITED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007**

	Notes	2007 £'000	2006 £'000
Net cash inflow from operating activities	27	2,495	5,856
Returns on investments and servicing of finance	28a	(2,405)	(2,234)
Taxation		-	-
Capital expenditure	28b	(7,566)	(3,657)
Transfer of engagements	28c	-	-
		<hr/>	<hr/>
Cash outflow before use of liquid resources and financing		(7,476)	(35)
Management of liquid resources		-	-
Financing	28d	<hr/> 5,000	<hr/> -
Decrease in cash		<hr/> <u>(2,476)</u>	<hr/> <u>(35)</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES

(a) Introduction and accounting basis

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

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

(b) Basis of Consolidation

The group financial statements consolidate those of Link Group Limited and of its subsidiary undertakings drawn up to 31 March 2007. Profits or losses on intra-group transaction are eliminated in full.

(c) Investments

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

(d) Tangible Fixed Assets - housing land and buildings

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

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

(e) Grants

Capital Grants

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

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

Revenue Grants

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

(f) Mortgages

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

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (continued)

1. ACCOUNTING POLICIES (continued)

(g) Depreciation

Housing land and buildings

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

Other fixed assets

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

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

(h) Work In Progress

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

(i) Designated Future Maintenance Reserves

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

(j) Negative Goodwill

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

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

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (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 2006/2007 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 2006/2007, 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 2007 (Continued)

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

	Turnover £'000	Operating Costs £'000	Cost of Sales £'000	Operating Surplus/ (Deficit) £'000	Interest Receivable £'000	Interest Payable (Note 7) £'000	Disposal of Fixed Assets £'000	Surplus/ (Deficit) 2007 £'000	Surplus/ (Deficit) 2006 £'000
Income and Expenditure from Lettings									
Housing Accommodation	15,557	(12,992)	-	2,565	-	(2,354)	-	211	449
Supported Accommodation	49	(185)	-	(136)	-	(8)	-	(144)	28
Shared Ownership Accommodation	820	(347)	-	473	-	(128)	-	345	329
	16,426	(13,524)	-	2,902	-	(2,490)	-	412	806
Other Income and Expenditure									
Management Fees	577	(350)	-	227	-	-	-	227	35
Sales of Housing Accommodation	-	(8)	46	38	-	-	-	38	23
Other (Note 6)	660	(772)	-	(112)	-	-	-	(112)	(46)
Community Regeneration	274	(1,097)	-	(823)	-	-	-	(823)	(820)
Interest Receivable	-	-	-	-	138	-	-	138	198
Gain on Disposal of Fixed Assets	-	-	-	-	-	-	584	584	210
Housing Support Services/Personal Care	3,746	(3,916)	-	(170)	-	-	-	(170)	(135)
Release of negative goodwill	-	401	-	401	-	-	-	401	401
	5,257	(5,742)	46	(439)	138	-	584	283	(134)
TOTAL 2007	21,683	(19,266)	46	2,463	138	(2,490)	584	695	672
TOTAL 2006	21,217	(16,669)	(1,773)	2,775	198	(2,511)	210	672	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

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

	Turnover £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000	Interest Receivable £'000	Interest Payable (Note 7) £'000	Disposal of Fixed Assets £'000	Surplus/ (Deficit) 2007 £'000	Surplus/ (Deficit) 2006 £'000
Income and Expenditure from Lettings								
Housing Accommodation	14,056	(11,373)	2,683	-	(2,225)	-	458	408
Supported Accommodation	49	(185)	(136)	-	(8)	-	(144)	28
Shared Ownership Accommodation	803	(357)	446	-	(128)	-	318	309
	14,908	(11,915)	2,993	-	(2,361)	-	632	745
Other Income and Expenditure								
Management Fees	1,254	(1,247)	7	-	-	-	7	7
Other (Note 6)	302	(626)	(324)	-	-	-	(324)	(357)
Community Regeneration	-	(299)	(299)	-	-	-	(299)	(335)
Housing Support Services Personal Care	-	(162)	(162)	-	-	-	(162)	(117)
Interest Receivable	-	-	-	120	-	-	120	206
Gain/(Loss) on Disposal of Fixed Assets	-	-	-	-	-	569	569	188
Release of Negative Goodwill	-	401	401	-	-	-	401	401
	1,556	(1,933)	(377)	120	-	569	312	(7)
TOTAL 2007	16,464	(13,848)	2,616	120	(2,361)	569	944	738
TOTAL 2006	15,096	(12,241)	2,855	206	(2,511)	188	738	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

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

	Housing Accommodation £'000	Supported Accommodation £'000	Shared Ownership Accommodation £'000	2007 Total £'000	2006 Total £'000
Income from lettings					
Rents receivable net of identifiable service charges	14,562	49	815	15,426	14,158
Service charges receivable eligible for Housing Benefit	1,038	-	15	1,053	921
Service charges receivable ineligible for Housing Benefit	-	-	-	-	-
Gross Rents Receivable	15,600	49	830	16,479	15,079
Less: Rent losses from voids	(81)	-	(10)	(91)	(91)
Net Rents Receivable	15,519	49	820	16,388	14,988
Revenue Grants from Communities Scotland	-	-	-	-	-
Revenue Grants from Local Authorities & other agencies	38	-	-	38	-
Total Income from lettings	15,557	49	820	16,426	14,988
Expenditure on lettings					
Services	1,153	-	20	1,173	1,051
Management	3,272	4	202	3,478	3,045
Routine maintenance	2,659	-	1	2,660	2,412
Rent losses from bad debts	191	(11)	15	195	64
Major Repairs Expenditure	4,388	188	-	4,576	3,828
Property Depreciation	1,329	4	109	1,442	1,271
Total Expenditure on Lettings	12,992	185	347	13,524	11,671
Operating Surplus or (Deficit) on Letting Activities 2007	2,565	(136)	473	2,902	3,317
Operating Surplus or (Deficit) on Letting Activities 2006	2,811	36	470	3,317	-

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

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

	Housing Accommodation £'000	Supported Accommodation £'000	Shared Ownership Accommodation £'000	2007 Total £'000	2006 Total £'000
Income from lettings					
Rents receivable net of identifiable service charges	14,122	49	813	14,984	14,153
Service charges receivable eligible for Housing Benefit	-	-	-	-	-
Service charges receivable ineligible for Housing Benefit	-	-	-	-	-
Gross Rents Receivable	14,122	49	813	14,984	14,153
Less: Rent losses from voids	(79)	-	(10)	(89)	(92)
Net Rents Receivable	14,043	49	803	14,895	14,061
Revenue Grants from Communities Scotland	-	-	-	-	-
Revenue Grants from Local Authorities & other agencies	13	-	-	13	-
Total Income from lettings	14,056	49	803	14,908	14,061
Expenditure on lettings					
Services	-	-	-	-	-
Management	3,111	4	232	3,347	3,028
Routine maintenance	2,744	-	1	2,745	2,614
Rent losses from bad debts	182	(11)	15	186	64
Major Repairs Expenditure	4,055	188	-	4,243	3,828
Property Depreciation	1,281	4	109	1,394	1,271
Total Expenditure on Lettings	11,373	185	357	11,915	10,805
Operating Surplus on Letting Activities 2007	2,683	(136)	446	2,993	3,256
Operating Surplus or (Deficit) on Letting Activities 2006	2,770	36	450	3,256	

The average annual assured tenancy rent is £2,616 (2006 - £2,499), which is an increase of 4.7%.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

5. GAIN ON DISPOSAL OF FIXED ASSETS

In the year to 31 March 2007 Link Group Ltd achieved a gain on disposal of fixed assets of £569,000 compared to a gain in 2006 of £188,000. 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 2007 of £569,000 is after charging costs amounting to £391,000 of decant, home loss and demolition costs relating to a major regeneration project.

6. OTHER COSTS

	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Business & other development costs	331	313	331	313
Publicity and promotion	48	41	48	41
Development costs	184	65	184	65
Factoring and agency services	146	279	-	-
Other	63	(5)	63	(5)
	<u>772</u>	<u>693</u>	<u>626</u>	<u>414</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

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

	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Income and Expenditure Account – Loan Interest	2,490	2,511	2,361	2,511
Capitalised in work in progress	-	-	-	-
	<u>2,490</u>	<u>2,511</u>	<u>2,361</u>	<u>2,511</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

8. DIRECTORS' AND BOARD MEMBERS' EMOLUMENTS

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

	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Emoluments (including pension contributions)	405	387	214	207

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

Emoluments (excluding pension contributions)	Consolidated		Link Group Ltd	
	2007 No.	2006 No.	2007 No.	2006 No.
£40,000 - £44,999	-	-	-	-
£45,000 - £49,999	-	1	-	-
£50,000 - £54,999	1	2	-	1
£55,000 - £59,999	2	1	-	1
£60,000 - £64,999	1	1	1	-
£65,000 - £69,999	-	-	-	-
£70,000 - £74,999	-	1	-	1
£75,000 - £79,999	1	-	1	-
	<u>5</u>	<u>6</u>	<u>2</u>	<u>3</u>

The emoluments of the highest paid Director, who is the Chief Executive are £79,533 (2006 - £71,101).

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 £9,000 (2006 - £7,941).

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

	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Travel expenses reimbursed to Board and Committee Members	12	9	3	5

During the year there were two tenant Board Members (2006, two) whose tenancies were on normal terms.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

9. EMPLOYEES

	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Staff costs during the year:				
Wages and salaries	6,291	5,702	1,005	1,287
Social Security costs	598	531	101	132
Other pension costs	520	449	128	121
	<u>7,409</u>	<u>6,682</u>	<u>1,234</u>	<u>1,540</u>

The average number of persons employed during the year

	Consolidated		Link Group Ltd	
	2007 No.	2006 No.	2007 No.	2006 No.
	328	324	38	53

The average full time equivalent number of persons employed during the year

	Consolidated		Link Group Ltd	
	2007 No.	2006 No.	2007 No.	2006 No.
	290	276	33	47

10. AUDITORS' REMUNERATION

	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
The remuneration of the auditors (including expenses and VAT)				
Audit services	40	32	11	13
Other services	7	-	7	-
	<u>47</u>	<u>32</u>	<u>18</u>	<u>13</u>

11. TAXATION

Link Group Limited has charitable status for taxation purposes. In the year to 31 March 2007 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	
	2007 £'000	2006 £'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 2007 (Continued)****12. HOUSING STOCK – LINK GROUP****Analysis of Housing Stock by Accommodation Type**

	Units in Management		Units Under Development	
	31 March 2007 Units	31 March 2006 Units	31 March 2007 Units	31 March 2006 Units
Link Group Limited				250
Housing accommodation for letting	5,259	5,240	115	250
Supported accommodation	15	104	-	25
Shared Ownership accommodation	512	483	3	58
Larkfield Housing Association Limited				
Housing accommodation for letting	412	-	-	-
Total units in management	6,198	5,827	118	333

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

Organisation	Units	
	31 March 2007 Units	31 March 2006 Units
Stirling University	86	89
Kintry	-	190
Others	9	9
	95	288

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (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	2007 Total £'000	2006 Total £'000
Cost						
At 1 April 2006	200,921	18,375	11,294	1,074	231,664	221,839
Opening balance - Larkfield HA	7,870	-	-	-	7,870	-
Additions	(105)	-	13,405	1,461	14,761	18,984
Transfers	14,805	2,861	(17,264)	(402)	-	-
Disposals - initial tranches	-	-	-	(1,977)	(1,977)	(293)
- other sales	(8,886)	(975)	-	-	(9,861)	(8,866)
At 31 March 2007	214,605	20,261	7,435	156	242,457	231,664
Depreciation						
At 1 April 2006	6,296	659	-	-	6,955	5,756
Opening balance - Larkfield HA	952	-	-	-	952	-
Provided during the year	1,334	109	-	-	1,443	1,271
On Disposals	(58)	(59)	-	-	(117)	(72)
At 31 March 2007	8,524	709	-	-	9,233	6,955
Depreciated Cost	206,081	19,552	7,435	156	233,224	224,709
Housing Association Grant						
At 1 April 2006	135,554	14,088	7,785	105	157,532	153,578
Opening balance - Larkfield HA	-	-	-	-	-	-
Additions	1,645	-	5,434	344	7,432	10,711
Transfers	9,695	1,615	(10,991)	(319)	-	-
Repaid and abated during year	(7,245)	(699)	-	-	(7,944)	(6,757)
At 31 March 2007	139,649	15,013	2,228	130	157,020	157,532
Other Capital Grants						
At 1 April 2006	2,309	14	70	-	2,393	2,333
Opening balance - Larkfield HA	-	-	-	-	-	-
Additions	-	-	-	-	-	60
Transfers	70	-	(70)	-	-	-
Repaid and abated during year	-	-	-	-	-	-
At 31 March 2007	2,379	14	-	-	2,393	2,393
Net Book Value at 31 March 2007	64,053	4,525	5,207	26	73,811	64,784
Net Book Value at 31 March 2006	56,762	3,614	3,439	969	64,784	64,784

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (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	2007 Total £'000	2006 Total £'000
Cost						
At 1 April 2006	200,921	18,375	11,294	1,074	231,664	221,839
Additions	(105)	-	13,405	1,461	14,761	18,984
Transfers	14,805	2,861	(17,264)	(402)	-	-
Disposals - initial tranches	-	-	-	(1,977)	(1,977)	(293)
- other sales	(8,792)	(975)	-	-	(9,767)	(8,866)
At 31 March 2007	206,829	20,261	7,435	156	234,681	231,664
Depreciation						
At 1 April 2006	6,296	659	-	-	6,955	5,756
Provided during the year	1,285	109	-	-	1,394	1,271
On Disposals	(48)	(59)	-	-	(107)	(72)
At 31 March 2007	7,533	709	-	-	8,242	6,955
Depreciated Cost	199,296	19,552	7,435	156	226,439	224,709
Housing Association Grant						
At 1 April 2006	135,554	14,088	7,785	105	157,532	153,578
Additions	1,645	9	5,434	344	7,432	10,711
Transfers	9,695	1,615	(10,991)	(319)	-	-
Repaid and abated during year	(7,245)	(699)	-	-	(7,944)	(6,757)
At 31 March 2007	139,649	15,013	2,228	130	157,020	157,532
Other Capital Grants						
At 1 April 2006	2,309	14	70	-	2,393	2,333
Additions	-	-	-	-	-	60
Transfers	70	-	(70)	-	-	-
Repaid and abated during year	-	-	-	-	-	-
At 31 March 2007	2,379	14	-	-	2,393	2,393
Net Book Value at 31 March 2007	57,268	4,525	5,207	26	67,026	64,784
Net Book Value at 31 March 2006	56,762	3,614	3,439	969	64,784	64,784

Development administration costs capitalised amounted to £234,292 (2006 - £179,212) for which Housing Association Grant amounting to £196,051 (2006 - £169,862) was received in the year

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

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

	Heritable Office Property £'000	Equipment £'000	Vehicles £'000	2007 Total £'000	2006 Total £'000
Cost					
At 1 April 2006	2,065	954	88	3,107	3,021
Opening balance - Larkfield HA	232	91	-	323	
Additions	3,657	231	64	3,952	157
Disposals	(451)	(92)	-	(543)	(71)
At 31 March 2007	5,503	1,184	152	6,839	3,107
Depreciation					
At 1 April 2006	833	588	50	1,471	1,289
Opening balance - Larkfield HA	8	79	-	87	
Provided during the year	134	175	32	341	251
On Disposals	(120)	(85)	-	(205)	(69)
At 31 March 2007	855	757	82	1,694	1,471
Net Book Value at 31 March 2007	4,648	427	70	5,145	1,636
Net Book Value at 31 March 2006	1,232	366	38	1,636	

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

	Heritable Office Property £'000	Equipment £'000	Vehicles £'000	2007 Total £'000	2006 Total £'000
Cost					
At 1 April 2006	2,065	921	16	3,002	2,919
Additions	3,657	225	4	3,886	152
Disposals	(451)	(89)	-	(540)	(69)
At 31 March 2007	5,271	1,057	20	6,348	3,002
Depreciation					
At 1 April 2006	833	573	10	1,416	1,257
Provided during the year	131	164	2	297	228
On Disposals	(120)	(84)	-	(204)	(69)
At 31 March 2007	844	653	12	1,509	1,416
Net Book Value at 31 March 2007	4,427	404	8	4,839	1,586
Net Book Value at 31 March 2006	1,232	348	6	1,586	

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (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
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

Larkfield Housing Association Limited joined the group on 28 November 2006.

At 31 March 2007 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 2007. The issued share capital of Link Property Limited and Link Housing Association is shown at cost within Link Group Limited.

At 31 March 2007 Linkwide Limited held 100% share capital of the following subsidiary undertakings

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

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 2007 (Continued)

15. INVESTMENTS (continued)

	Shares in Group Undertakings 2007 £	Shares in Group Undertakings 2006 £
Cost		
At 1 April 2006 and 31 March 2007	50,001	150,001
Amounts Written Down		
At 1 April 2006 and 31 March 2007	-	(50,000)
Shares Redeemed during the year		
Link Homes (2001) Limited	-	(50,000)
Net Book Value At 1 April 2006 and 31 March 2007	<u>50,001</u>	<u>50,001</u>

16. WORK IN PROGRESS

	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
At 1 April 2006	-	1,644	-	-
Expenditure on development properties	(13)	296	-	-
Grants received from Communities Scotland	-	(145)	-	-
Cost of disposals transferred to Cost of Sales	46	(1,795)	-	-
At 31 March 2007	<u>33</u>	<u>-</u>	<u>-</u>	<u>-</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

17. DEBTORS

	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Arrears of rent and service charges	1,030	987	900	930
Less: Provision for bad and doubtful debts	(438)	(344)	(372)	(323)
HAG receivable	1,830	706	1,830	706
Revenue Grants receivable	-	-	-	-
Homestake	11,571	1,327	-	-
Other debtors (less provision £25,669 2006 - £25,949)	1,397	371	828	40
Prepayments	505	259	106	112
Due from subsidiaries	-	-	1,273	776
	<u>15,895</u>	<u>3,306</u>	<u>4,565</u>	<u>2,241</u>

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

Link Group Ltd has provided loan facilities of £1m to one of its subsidiaries through an on-lending agreement from part of its syndicated lending facility of £60m (see note 19). The amount advanced under this facility was £nil at 31 March 2007 (2006 £nil).

18. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Housing loans - current instalments due	169	-	-	-
Homestake	11,665	1,441	-	-
Trade and other creditors	4,720	3,874	4,034	3,269
Taxation and Social Security	242	166	238	166
Pension Contributions	58	55	55	55
Accruals	493	1,183	132	701
Rents in advance	605	593	509	513
Amounts Owed to Group Undertakings	-	-	439	903
	<u>17,952</u>	<u>7,312</u>	<u>5,407</u>	<u>5,607</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

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

	Consolidated		Link Group Ltd	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Loan Facilities	48,737	38,000	43,000	38,000
Communities Scotland	199	-	-	-
	48,936	38,000	43,000	38,000

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

Analysis of Loan Facilities	Consolidated		Link Group Ltd	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Housing Loans				
Fixed Rate				
Advanced by Banks	24,700	24,700	24,700	24,700
Advanced by Building Societies	5,906	-	-	-
Variable Rate				
Advanced by Banks	18,300	13,300	18,300	13,300
	48,906	38,000	43,000	38,000

The Association has a loan facility of £60m, of which £43m had been drawn down as at 31 March 2007 (2006 - £38m) and £17m 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 2007 was charged at interest rates between 5.4912% and 7.261% (2006 - between 4.9391% and 7.411%).

Analysis of Maturity of Debt

	Consolidated		Link Group Ltd	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts Repayable:				
In one year or less, or on demand	169	-	-	-
Between one and two years	376	-	-	-
Between two and five years	1,190	-	760	-
	1,735	-	760	-
In five years or more	47,171	38,000	42,240	38,000
	48,906	38,000	43,000	38,000

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

20. SHARE CAPITAL

	Consolidated		Link Group Ltd	
	2007 No.	2006 No.	2007 No.	2006 No.
Shares of £1 each fully paid and issued				
At beginning of the year	194	188	194	188
Opening balance – Larkfield HA	203	-	-	-
Shares issued during the year	5	6	2	6
Shares surrendered during the year	-	-	-	-
Shares of £1 each fully paid at end of the year	<u>402</u>	<u>194</u>	<u>196</u>	<u>194</u>

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

	2007 Total £'000	2006 Total £'000
Balance at 1 April 2006	16,185	16,056
From Income and Expenditure Account	4,255	3,957
To Income and Expenditure Account	(4,244)	(3,828)
At 31 March 2007	<u>16,196</u>	<u>16,185</u>

22. NEGATIVE GOODWILL – CONSOLIDATED AND LINK GROUP LIMITED

	2007 Total £'000	2006 Total £'000
Balance at 1 April 2006	5,621	6,022
Amortised during the year	(401)	(401)
At 31 March 2007	<u>5,220</u>	<u>5,621</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

	2007 Total £'000	2006 Total £'000
Balance at 1 April 2006	7,443	6,900
Opening balance - Larkfield HA	1,313	-
Surplus in the year	695	672
Net transfer to designated reserves	(11)	(129)
At 31 March 2007	<u>9,440</u>	<u>7,443</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

23b. REVENUE RESERVES – LINK GROUP LIMITED

	2007	2006
	Total	Total
	£'000	£'000
Balance at 1 April 2006	7,177	6,568
Surplus in the year	944	738
Net transfer to designated reserves	(11)	(129)
At 31 March 2007	<u>8,110</u>	<u>7,177</u>

24. CAPITAL COMMITMENTS

At 31 March 2007 authorised and contracted commitments outstanding amounted to approximately £2m for Link Group Limited and the group (2006, £14m).

25. CONTINGENT LIABILITIES

Office Repairs

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

26. OBLIGATIONS UNDER LEASES

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

CONSOLIDATED

	2007		2006	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	53	22	5	19
In the second to fifth year inclusive	-	23	-	32
Over five years	56	-	161	-
	<u>109</u>	<u>45</u>	<u>166</u>	<u>51</u>

LINK GROUP LIMITED

	2007		2006	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	53	19	5	19
In the second to fifth year inclusive	-	23	-	27
Over five years	56	-	161	-
	<u>109</u>	<u>42</u>	<u>166</u>	<u>46</u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

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

	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Operating surplus	2,463	2,775	2,616	2,855
Depreciation charges	1,782	1,522	1,689	1,499
Release of negative goodwill	(401)	(401)	(401)	(401)
(Decrease)/increase in creditors	10,490	1,614	(177)	1,042
(Increase)/decrease in debtors	(11,496)	(1,229)	(1,232)	861
(Increase)/decrease in work in progress	(23)	1,643	-	-
Decrease in loans (current liabilities)	-	-	-	-
Net Cash Inflow from Operating Activities	2,805	5,924	2,495	5,856

28. GROSS CASH FLOWS

(a) Returns on Investments and Servicing of Finance	Consolidated		Link Group Ltd	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Interest received	138	198	120	206
Interest paid	(2,651)	(2,439)	(2,525)	(2,440)
	(2,513)	(2,241)	(2,405)	(2,234)
(b) Capital Expenditure				
Sales proceeds of housing accommodation held for disposal	1,977	293	1,977	293
Acquisition and construction of housing Properties	(14,761)	(19,487)	(14,761)	(19,487)
Purchase of other fixed assets	(3,819)	(211)	(3,885)	(161)
Capital grants received	6,309	13,028	6,309	13,028
Grants repaid	(2,214)	(4,050)	(2,214)	(4,050)
Sale proceeds of housing properties	4,655	6,691	4,463	6,720
Sale proceeds of other fixed assets	545	-	545	-
	(7,308)	(3,736)	(7,566)	(3,657)
(c) Acquisitions and Disposals	-	-	-	-
(d) Financing				
Loan advances received - housing	5,200	-	5,000	-
Loans redeemed - housing	-	-	-	-
Loan principal repayments - Housing	(159)	-	-	-
	5,041	-	5,000	-

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

29a. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT - CONSOLIDATED

	2007 £'000	2006 £'000
Increase in cash in the period	(1,975)	(53)
Cash (inflow)/outflow from increase/decrease in debt	(5,041)	-
Cash outflow/(inflow) from increase/(decrease) in liquid resources	-	-
Change in net debt resulting from cash flows	<u>(7,016)</u>	<u>(53)</u>
Larkfield HA opening loan balance	(5,864)	-
Movement in net debt in the period	<u>(12,880)</u>	<u>(53)</u>
Net debt at 1 April 2006	<u>(33,165)</u>	<u>(33,112)</u>
Net debt at 31 March 2007	<u><u>(46,045)</u></u>	<u><u>(33,165)</u></u>

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

	2007 £'000	2006 £'000
Decrease in cash in the period	(2,476)	(35)
Cash (inflow)/outflow from increase/decrease in debt	(5,000)	-
Cash outflow/(inflow) from increase/(decrease) in liquid resources	-	-
Change in net debt resulting from cash flows	<u>(7,476)</u>	<u>(35)</u>
Movement in net debt in the period	<u>(7,476)</u>	<u>(35)</u>
Net debt at 1 April 2006	<u>(34,071)</u>	<u>(34,036)</u>
Net debt at 31 March 2007	<u><u>(41,547)</u></u>	<u><u>(34,071)</u></u>

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

30a. ANALYSIS OF NET DEBT - CONSOLIDATED

	At 1 April 2006 £'000	Cash Flows £'000	Larkfield Opening Balance £'000	At 31 March 2007 £'000
Cash at bank	4,835	(1,975)		2,860
Debt due after one year	(38,000)	(5,041)	(5,695)	(48,736)
Debt due within one year	-	-	(170)	(170)
		(5,041)	(5,865)	
Liquid resources	-			
	<u>(33,165)</u>	<u>(7,016)</u>	<u>(5,865)</u>	<u>(46,046)</u>

30b. ANALYSIS OF NET DEBT - LINK GROUP LIMITED

	At 1 April 2006 £'000	Cash Flows £'000	At 31 March 2007 £'000
Cash at bank	3,929	(2,476)	1,453
Debt due after one year	(38,000)	(5,000)	(43,000)
Debt due within one year	-	-	
		(5,000)	
Liquid resources	-	-	-
	<u>(34,071)</u>	<u>(7,476)</u>	<u>(41,547)</u>

31. PENSIONS

Defined Contribution Scheme

164 members of staff are members of the Link Group personal pension scheme (2006, 163), 24 of whom are employed by Link Group Ltd (2006, 34). 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 2007 amounted to £461,314 (2006, £385,027), £122,231 of which were made in relation to Link Group Ltd staff (2006, £112,003).

Defined Benefit Scheme

General

Link Group Ltd also participates in the SFHA Pension Scheme (the "scheme"). The Scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The 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.

LINK GROUP LIMITED

NOTES TO THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007 (Continued)

31. PENSIONS (continued)

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%, amounting to £53,532 (2006, £57,018), during the accounting period for 10 member of staff (2006, 11), of which £5,482 (2006, £7,175), related to 1 member of Link Group Ltd staff (2006, 1). Member contributions were 7.0%.

As at the balance sheet date there were 10 (2006 – 11) active members of the Scheme employed by Link Group Limited and subsidiaries. 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.

The last formal valuation of the Scheme was performed as at 30 September 2003 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £143 million. The valuation revealed a shortfall of assets compared to liabilities of £37 million, equivalent to a past service funding level of 80%.

Link Group Limited has subsequently been notified of the provisional results of the triennial valuation carried out as at 30 September 2006. This indicates an increase in the assets of the Scheme to £268 million and an increase in the shortfall of assets compared with liabilities to £54 million, equivalent to a past service funding level of 83%. The September 2006 actuarial valuation has not yet been finalised. The following notes therefore relate to the actuarial valuation as at 30 September 2003

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-	% pa
- Investment return pre retirement	7.8
- Investment return post retirement	5.2
- Rate of salary increases	4.0
- Rate of pension increases	2.5
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
- Rate of price inflation	2.5

Valuation results

The valuation showed a shortfall of assets compared to liabilities of £37 million (equivalent to a past service funding level of 80%).

The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.3% of pensionable salaries. Following consideration of the results of the actuarial valuation it was agreed that, with effect from 1 April 2005:

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

31. PENSIONS (continued)

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

On the basis of the valuation assumptions this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 30 September 2015.

Following a change in legislation in September 2005 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.