

Financial Statements Millennium Link Trust (Limited by Guarantee)

For the Year Ended 31 March 2008



Trust information (continued)

Company registration number	SC170335
Charity Registration number	SC029043
Registered office	Canal House 1 Applecross Street GLASGOW G49SP
Directors	J M Stirling J M Wallace Capita Trust Corporate Limited David R Baker Colin Benford Susan Lawrence Sean P Martin Jonathon G Vickers Capita Trust Corporate Services Limited David R Baker Colin Benford Susan Lawrence Sean P Martin Jonathon G Vickers
Secretary	J M Wallace
Bankers	Canadian Imperial Bank of Commerce Clydesdale Bank (PLC)
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors 95 Bothwell Street GLASGOW G2 7JZ

Index

Report of the directors	3 4
Report of the independent auditor	5 6
Principal accounting policies	7 8
Statement of financial activities (Including profit and loss account)	9
Balance sheet	10
Notes to the financial statements	11 14

Report of the directors

The directors present their report together with financial statements for the year ended 31 March 2008

Principal activities

The principal activity of the company is to promote, encourage and assist the restoration, development and use of the Forth and Clyde Canal, Union Canal and other canals and navigable waters in Scotland as amenity, recreational and/or commercial waterways

Business review

The pre arranged finance lease, covering the restoration expenditure, with the National Australia Bank, dated 31 May 2000, came into effect on 12 April 2002. The overdraft was then replaced by an obligation under a finance lease. Interest received in the year of £5,167,622 net of finance lease charges of £4,247,577 and income from charitable activities of £91,578 was offset by other costs of £1,664,676

The net expenditure for the year amounted to £203,053 (2007 £339,514)

Going Concern

The HMRC have announced the withdrawal of Industrial Buildings' Allowance ("IBA"s) by 2011. The directors are currently considering the impact of these tax changes on the Charity's financial position, in light of the option available under the existing leasing arrangements. The impact of these and other changes to tax legislation have not been fully established at this time.

Aim, objectives and review performance

The first charitable objective of the company was to fill a funding gap in the Millennium Link Lowlands canals restoration project. The aim of the company is to provide assistance in the restoration and development of navigable waters in Scotland. The company will seek to realise its objectives by helping to finance projects which meet with the company's aims. At this stage of the company's development the company is looking to build up significant funds to meet the aims of the company.

Risk management

The directors have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the company, and are satisfied that systems are in place to mitigate exposure to the major risks.

Reserves policy

It is the policy of the company to build up unrestricted reserves in anticipation of future major restoration and development projects on the canals and navigable waters in Scotland.

Directors

The directors as at 31 March 2008 were as follows:

Capita Trust Corporate Limited
Capita Trust Corporate Services Limited
J M Stirling
J M Wallace

Report of the directors

Appointment of director

The Board appoints directors with the relevant skills As set out in the company's Articles of Association the number of directors is to be 4

Directors induction and training

New directors receive training with regard to their legal obligations under charity and company law, the content of the company's Memorandum and Articles of Association, the decision making process and the financial performance and plans of the company

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for the year In preparing those financial statements, the directors are required to

select suitable accounting policies and then apply them consistently,

make judgements and estimates that are reasonable and prudent,

prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities

In accordance with company law, as the company's directors we clarify that

so far as we are aware, there is no relevant audit information of which the company's auditors are unaware, and

as the directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant information and to establish that the company's auditors are aware of that information

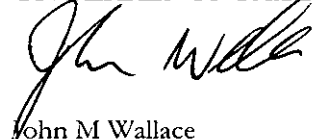
Auditors

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985

Small company provisions

This report has been prepared in accordance with the special provision for small companies under Part VII of the Companies Act 1985

ON BEHALF OF THE BOARD



John M Wallace

DATE

27/6/08

Report of the independent auditor to the members of Millennium Link Trust (Limited by Guarantee)

We have audited the financial statements of Millennium Link Trust (Limited by Guarantee) for the year ended 31 March 2008 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company 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 directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Report of the Directors, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within it.

Basis of 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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.

Report of the independent auditor to the members of Millennium Link Trust (Limited by Guarantee) (continued)

Opinion

In our opinion the financial statements

give a true and fair view, in accordance with United Kingdom Generally Accepted Practice, of the state of the company's affairs as at 31 March 2008 and of its deficit for the year then ended,

have been properly prepared in accordance with the Companies Act 1985,

the information given in the Report of the Directors is consistent with the financial statements for the year ended 31 March 2008



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

GLASGOW



Accounting policies

Basis of preparation

The principal accounting policies of the company are set out below and have remained unchanged from the previous year

Basis of accounting

The financial statements have been prepared on a going concern basis and under the historical cost convention and in accordance with the Companies Act 1985 and Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2005) issued March 2005

Fund accounting

Unrestricted funds are donations and other incoming resources received or generated for expenditure on the general objectives of the company

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund

Designated funds are unrestricted funds, which have been designated for specific purposes by the directors

Incoming resources

All incoming resources are included in the Statement of Financial Activities when the company is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income

incoming resources from charitable trading activity are accounted for when earned

investment income is recognised when receivable

grants in respect of fixed assets are recognised in the Statement of Financial Activities when they are receivable

Resources expended

Expenditure is recognised on an accrual basis as a liability is incurred

charitable expenditure comprises these costs incurred by the company in the delivering of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them

governance costs include those costs associated with meeting the statutory requirements of the company and include the audit fees and costs linked to the strategic management of the charity

Accounting policies (continued)

Depreciation

Depreciation is calculated to write down the cost or valuation, less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, in equal annual instalments

The rates generally applicable are

Canal works and structures	2%
----------------------------	----

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account, on a straight line basis, over the lease term.

Statement of financial activities (includes profit and loss account)

	Note	Unrestricted income fund 2008 £	Unrestricted designated fund 2008 £	Total 2008 £	Total 2007 £
Incoming resources					
Investment income interest received		5,617,622		5,617,622	4,578,930
Incoming resources from charitable activities	1	91,578		91,578	86,919
Total incoming resources		<u>5,709,200</u>		<u>5,709,200</u>	<u>4,665,849</u>
Resources expended					
Charitable activities	2	1,660,078		1,660,078	1,655,419
Governance costs		4,598		4,598	6,303
Other resources expended interest paid	4	4,247,577		4,247,577	3,343,641
Total resources expended		<u>5,912,253</u>		<u>5,912,253</u>	<u>5,005,363</u>
Net expenditure for the year	3	(203,053)		(203,053)	(339,514)
Gross transfer between funds		<u>1,568,500</u>	<u>(1,568,500)</u>		<u>–</u>
Net movements in funds		1,365,447	(1,568,500)	(203,053)	(339,514)
Fund balances at 1 April 2007		4,704,849	70,634,068	75,338,917	75,678,431
Fund balances at 31 March 2008		<u>6,070,296</u>	<u>69,065,568</u>	<u>75,135,864</u>	<u>75,338,917</u>

There were no recognised gains or losses other than the deficit for the financial year

All of the activities of the company are classified as continuing

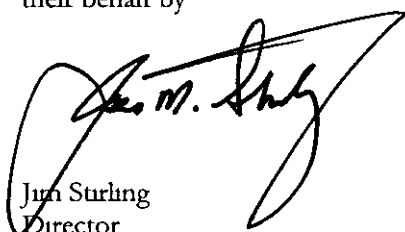
The accompanying accounting policies and notes form an integral part of these financial statements

Balance sheet

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	6	69,065,567	70,634,067
Current assets			
Debtors	7	75,652	72,749
Cash at bank and in hand		98,609,345	95,738,954
		98,684,997	95,811,703
Creditors: amounts falling due within one year	8	(4,943,006)	(4,850,079)
Net current assets		93,741,991	90,961,624
Total assets less current liabilities		162,807,558	161,595,691
Creditors: amounts falling due after one year	9	(87,671,694)	(86,256,774)
		75,135,864	75,338,917
The funds of the charity			
Unrestricted funds			
Income	11	6,070,296	4,704,849
Designated	12	69,065,568	70,634,068
Total charity funds		75,135,864	75,338,917

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985

These financial statements were approved by the Board of Directors on *26 June 2008*, and signed on their behalf by


Jim Stirling
Director

Notes to the financial statements

1 Incoming resources from charitable activities

Operating loss is stated after charging

	2008	2007
	£	£
Operating lease charges – canals	<u>91,578</u>	<u>86,919</u>

2 Resources expended – charitable activities

	2008	2007
	£	£
Depreciation	1,568,500	1,568,500
Management lease	<u>91,578</u>	<u>86,919</u>
	<u>1,660,078</u>	<u>1,655,419</u>

3 Net expenditure

Net expenditure is stated after charging

	2008	2007
	£	£
Auditors remuneration		
Audit fees	3,825	4,900
Non audit		<u>2,350</u>

4 Interest payable and similar charges

	2008	2007
	£	£
Finance charges on finance leases	<u>4,247,577</u>	<u>3,343,641</u>

5 Directors and employees

Other than the directors the company does not have any employees. Capita Trust Corporate Limited received fees of £1,018 during the year, none of the other directors receives any remuneration.

Notes to the financial statements (continued)

6 Tangible fixed assets

	Canal works & structures £
Cost at 1 April 2007 and 31 March 2008	78,425,000
Depreciation at 1 April 2007	7,790,933
Charge for the year	1,568,500
Depreciation at 31 March 2008	9,359,433
Net book value at 31 March 2008	69,065,567
Net book value at 1 April 2007	70,634,067

All tangible fixed assets were the subject of a finance lease (long leasehold) and are held for charitable purposes

Changes to tax legislation and the withdrawal of the Industrial Buildings' Allowance by 2011 will have an impact on the Charity's financial results. At this stage this amount cannot be quantified with reasonable certainty.

7 Debtors: amounts falling due within one year

	2008 £	2007 £
Accrued income	75,652	72,749

8 Creditors: amounts falling due within one year

	2008 £	2007 £
Amounts due under finance leases	3,815,406	3,815,406
Accruals	1,127,600	1,034,673
As at 31 March 2008	4,943,006	4,850,079

Amounts due under finance lease contracts are secured on the assets to which they relate

9 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Amounts due under finance leases	87,671,694	86,256,774

Notes to the financial statements (continued)

10 Borrowings

	2008 £	2007 £
Within one year		
Finance leases	3,815,406	3,815,406
After one and within two years		
Finance leases	3,815,406	3,815,406
After two and within five years		
Finance leases	11,446,218	11,446,218
After five years		
Finance leases	72,410,070	70,995,150
	<u>91,487,100</u>	<u>90,072,180</u>

11 Unrestricted funds movements in year

	At 1 April 2007 £	Incoming resources £	Resources expended £	Transfers £	At 31 March 2008 £
At 1 April 2007	<u>4,704,849</u>	<u>5,709,200</u>	<u>(5,912,253)</u>	<u>1,568,500</u>	<u>6,070,296</u>

Unrestricted funds are the surplus of general income over general funds

12 Designated funds - movements in year

	At 1 April 2007 £	Transfer £	At 31 March 2008 £
Designated funds	<u>70,634,068</u>	<u>(1,568,500)</u>	<u>69,065,568</u>

Designated funds are monies set aside by the directors for a particular purpose. The designated fund represents grants received in respect of acquiring the company's fixed assets. A transfer is made annually from the fund to the unrestricted fund in line with the depreciation charged on the fixed asset.

Notes to the financial statements (continued)

13 Leasing commitments

Financial

At 31 March 2008 the company had annual commitments under operating leases as follows

	2008 £	2007 £
Land works and structures		
Expiry after five years	<u>87,671,694</u>	<u>87,256,774</u>

14 Liabilities of members

The company was incorporated as one Limited by Guarantee and not having a Share Capital. In the event of the winding up of the company a member is liable to contribute a sum not exceeding £1. At 31 March 2008 there were 3 members (2007: 3 members).

15 Contingent liabilities

A funding agreement requires that, if surplus cash becomes available, the first £4m of the 'surplus' is to be paid to a third party. This is considered to be unlikely within the next five years.