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**MILLENNIUM LINK TRUST  
(LIMITED BY GUARANTEE)**

**FINANCIAL STATEMENTS**

**31 MARCH 2005**



**MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)**

**FINANCIAL STATEMENTS**

For the year ended 31 March 2005

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Company Registration number: SC170335

Charity Registration number: SC029043

Registered Office: Canal House  
1 Applecross Street  
Glasgow  
G4 9SP

Directors: J M Stirling  
B D Needham  
J M Wallace  
A W Gower

Secretary: J M Wallace

Bankers: Canadian Imperial Bank of Commerce

Auditors: Grant Thornton UK LLP  
Registered Auditors  
Chartered Accountants

**MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)**

**FINANCIAL STATEMENTS**

For the year ended 31 March 2005

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# **MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)**

## **REPORT OF THE DIRECTORS**

For the year ended 31 March 2005

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The directors present their report together with financial statements for the year ended 31 March 2005.

### **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.*

The revenue surplus for the year amounted to £1,121,998 (2004- £1,056,433) and has been transferred to reserves.

### **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.

### **Directors**

The directors as at 31 March 2005 were as follows:-

J M Stirling  
B D Needham  
J M Wallace  
A W Gower (appointed 13/12/2004)

Mr PM Hills died on 12 December 2004, and has been replaced by Mr Aw Gower. The directors would like to express their gratitude for his past service.

The company is limited by Guarantee and enjoys charitable status; accordingly the company is exempt from corporation tax.

# **MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)**

## **REPORT OF THE DIRECTORS (CONTINUED)**

For the year ended 31 March 2005

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### **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.

### **Auditors**

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

ON BEHALF OF THE BOARD



J M Wallace  
Secretary  
26 July 2005

## **REPORT OF THE INDEPENDENT AUDITORS 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 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 13. 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 the directors and auditors**

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards 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 United Kingdom auditing standards.

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 directors' report 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 directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards 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.

### **Fundamental uncertainty**

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the Inland Revenues query of the lease and the charitable status of the trust which if the Inland Revenue are successful will result in corporate taxation of £696,000 being payable. Details of the circumstance relating to this fundamental uncertainty are described in note 13(b). Our opinion is not qualified in this respect.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE) (CONTINUED)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Grant Thornton UK LLP*

**GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS**

**GLASGOW**

**26 July 2005**

# **MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)**

## **PRINCIPAL ACCOUNTING POLICIES**

For the year ended 31 March 2005

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### **BASIS OF PREPARATION**

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice for Charities (issued October 2000).

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

### **FUND ACCOUNTING**

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

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

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

### **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%
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### **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.

### **CAPITAL GRANTS**

Grants receivable in respect of capital expenditure are credited to a deferred income account and released to the income and expenditure account by equal annual instalments over the expected useful lives of the relevant assets.

**MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)****PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2005

	<b>Note</b>	<b>2005 £</b>	<b>2004 £</b>
Operating income		<b>82,067</b>	79,337
Administrative expenses		<u><b>86,261</b></u>	<u>84,439</u>
<b>Operating Loss</b>	<b>1</b>	<b>(4,194)</b>	(5,102)
Interest receivable		<b>4,120,887</b>	3,163,997
Interest payable and similar charges	<b>2</b>	<u><b>(2,994,695)</b></u>	<u>(2,102,462)</u>
<b>Profit for the financial year</b>	<b>12</b>	<u><b>1,121,998</b></u>	<u>1,056,433</u>

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

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

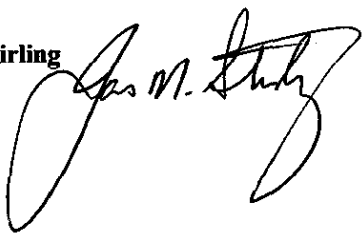
**MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)**

BALANCE SHEET AT 31 MARCH 2005

	Note	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	4	<u>73,771,067</u>	<u>75,339,567</u>
<b>Current assets</b>			
Debtors	5	68,700	66,907
Cash at bank and in hand		<u>90,512,546</u>	<u>88,059,456</u>
		<b>90,581,246</b>	<b>88,126,363</b>
<b>Creditors: amounts falling due within one year</b>	6	<u>(4,561,964)</u>	<u>(4,399,949)</u>
<b>Net current assets</b>		<u><b>86,019,282</b></u>	<u><b>83,726,414</b></u>
<b>Total assets less current liabilities</b>		<b>159,790,349</b>	<b>159,065,981</b>
<b>Creditors: amounts falling due after one year</b>	7	<b>(83,698,630)</b>	<b>(82,527,760)</b>
<b>Deferred capital grants</b>	9	<u><b>(73,771,068)</b></u>	<u><b>(75,339,568)</b></u>
		<u><b>2,320,651</b></u>	<u><b>1,198,653</b></u>
<b>Reserves</b>			
Revenue - unrestricted funds	12	<u><b>2,320,651</b></u>	<u><b>1,198,653</b></u>
<b>Shareholders' funds</b>		<u><b>2,320,651</b></u>	<u><b>1,198,653</b></u>

The financial statements were approved by the Board of Directors on 26 July 2005.

J M Stirling



Director

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

# MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2005

### 1 OPERATING LOSS

Operating loss is stated after charging:

	2005 £	2004 £
Auditors' remuneration	4,013	4,418
Operating lease charges - canals	82,067	79,337
Depreciation	1,568,500	1,568,500
Deferred capital grant release	(1,568,500)	(1,568,500)
Auditor' remuneration –other services	150	650
Admin expenses	31	34
	<u>86,261</u>	<u>84,439</u>

### 2 INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Finance Charges on Finance Leases	2,994,695	2,102,462
	<u>2,994,695</u>	<u>2,102,462</u>

### 3 DIRECTORS AND EMPLOYEES

Other than the directors the company does not have any employees. The directors do not receive any remuneration.

### 4 TANGIBLE FIXED ASSETS

	Canal works & structures £
Cost at 1 April 2004 and 31 March 2005	<u>78,425,000</u>
Depreciation at 1 April 2004	3,085,433
Charge for year	<u>1,568,500</u>
Depreciation at 31 March 2005	<u>4,653,933</u>
NBV at 31 March 2005	<u>73,771,067</u>
NBV at 1 April 2004	<u>75,339,567</u>

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

**MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 March 2005

**5 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Accrued Income	<b>68,700</b>	66,837
Sundry debtors	<b>0</b>	70
	<b><u>68,700</u></b>	<b><u>66,907</u></b>

**6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Amounts due under finance leases	<b>3,815,406</b>	3,815,406
Accruals	<b>746,558</b>	584,543
	<b><u>4,561,964</u></b>	<b><u>4,399,949</u></b>

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

**7 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Amounts due under finance leases	<b><u>83,698,630</u></b>	<b><u>82,527,760</u></b>

**MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 March 2005

**8 BORROWINGS**

	2005 £	2004 £
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	68,437,006	67,266,136
	<u>87,514,036</u>	<u>86,343,166</u>

**9 DEFERRED INCOME**

	2005 £	2004 £
<b>Capital Grants</b>		
At 1 April 2004	75,339,568	76,908,068
Release in the year	<u>(1,568,500)</u>	<u>(1,568,500)</u>
At 31 March 2005	<u>73,771,068</u>	<u>75,339,568</u>

**10 LEASING COMMITMENTS****Financial**

At 31 March 2005 the company had annual commitments under operating leases as follows:

	2005 £	2004 £
Land works and structures:		
Expiry after five years	<u>82,440</u>	<u>79,337</u>

**11 LIABILITY 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 2005 there were 3 members. (2004: 3 members).

# MILLENNIUM LINK TRUST (LIMITED BY GUARANTEE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2005

### 12 SUMMARY OF STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds £	Total 2005 £	Total 2004 £
<b>Income resources</b>			
Grants: deferred income	1,568,500	1,568,500	1,568,500
Interest received	4,120,887	4,120,887	3,163,997
Other income	82,067	82,067	79,337
<b>Total incoming resources</b>	<b>5,771,454</b>	<b>5,771,454</b>	4,811,834
<b>Resources expended</b>			
Interest paid	2,994,695	2,994,695	2,102,462
Depreciation of fixed assets	1,568,500	1,568,500	1,568,500
Management and administration	86,261	86,261	84,439
<b>Total resources expended</b>	<b>4,649,456</b>	<b>4,649,456</b>	3,755,401
<b>Net incoming resources for the year</b>	<b>1,121,998</b>	<b>1,121,998</b>	1,056,433
Fund balances at 1 April 2004	1,198,653	1,198,653	142,220
<b>Fund balances at 31 March 2005</b>	<b>2,320,651</b>	<b>2,320,651</b>	1,198,653

### 13 CONTINGENT LIABILITIES

- (a) 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.
- (b) The Inland Revenue are currently querying the lease and the Charitable nature of the Trust and if successful, tax of approximately £696,000 would be payable. The directors having taken professional advice believe the claim has no foundation.