

Association of Scotland's Colleges
(t/a Scotland's Colleges)
Financial Statements
for the Year Ended
31 July 2010

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Report of the Directors/Trustees for the year ended 31 July 2010

The Directors/Trustees present their report and audited financial statements for the year ended 31 July 2010.

Reference and Administrative Information

Company Number:	SC143210
Registered Charity Number:	SC023848
Registered Office:	Argyll Court Castle Business Park Stirling FK9 4TY
External Auditors:	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
Solicitors:	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA
Bankers:	Bank of Scotland 1 Munro Road Springkerse Stirling FK7 7SY

Directors and Trustees

The Directors/Trustees of the Company during the year were:

Ian Mcpherson (Resigned 6 October 2009)	Chair of Chair's Congress
Graham Johnstone (Appointed 6 October 2009)	Chair of Chairs' Congress
Linda McTavish CBE	Convenor of the Principals' Convention
Stewart Brymer (Resigned 31 October 2010)	Solicitor
Peter Finch (Appointed 1 November 2010)	Vice Chair of the Board of Management, City of Glasgow College
Christopher D. Travis (Ex officio) (Resigned 18 August 2009)	Chief Executive, Scotland's Colleges
Dr Ray Harris (Ex officio) (Appointed 1 September 2009)	Chief Executive, Scotland's Colleges
Gayle Shotton	Company Secretary

No Directors held any shares in the company at any time during the year.

Committees of the Board of Management

As a wholly-owned subsidiary of SFEU the Board operates without any committees in place. All Board business is handled through the main Board which meets at least twice a year.

Structure, Governance and Management

The ASC is a wholly owned subsidiary of SFEU, together operating as a single-umbrella agency for the sector branded as 'Scotland's Colleges'.

Governing Document

ASC is a charitable company limited by guarantee and registered as a charity in July 1995. The company was established under a Memorandum of Association which establishes the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the company being wound up members are required to contribute an amount not exceeding £1. ASC is wholly-owned by the Scottish Further Education Unit.

Recruitment and Appointment of the Board of Directors

The Board of Directors are also charity trustees for the purposes of charity law. The Board consists of a minimum of three directors appointed by the Board of the holding company and is currently comprised of the Convenor of the Principals' Convention, the Chair of the Chairs' Congress, the Chief Executive and an independent member. All Board Members hold equal status on the Board and all appointments are ratified by the company members at the Annual General Meeting.

Under the requirements of the Memorandum and Articles of Association, with the exception of the Chief Executive who holds office until termination of appointment, the Board of Directors hold office until resignation or removal by the Board of the Holding Company.

Director Induction and Training

New directors are provided with an induction pack briefing them on their legal obligations; their duties as Board Members; the main documents which set out the operational framework for Scotland's Colleges; including the Memorandum and Articles, financial performance, relevant policies and procedures and future plans and objectives. The Board are also given opportunities to meet Scotland's Colleges staff and are encouraged to attend training events where these will facilitate the undertaking of their role. Members of the Board are also asked to provide a list of their skills and training needs analysis on an annual basis.

Organisation

The Board of Directors of a minimum of three directors, including the Chief Executive, will meet at least twice a year to administer the company. At present there are four members including the Chief Executive and a scheme of delegation is in place. The Chief Executive is appointed by the Board of Directors to manage the day-to-day operations of the company.

Related Parties

Related party transactions are disclosed in note 15.

Risk Management

A review of the major strategic, business and operational risks to which ASC is exposed is conducted on an annual basis and reported to the Board. Risk management policy and procedures have been established to support this process and mitigate risks identified.

Objectives and Activities

The company's objects and principal activities remain to promote the advancement of further education for the public benefit.

This year saw the first full year of the company as a wholly owned subsidiary of the Scottish Further Education Unit (SFEU), creating a new support agency branded as *Scotland's Colleges*. *Scotland's Colleges* exists to support, represent and promote Scotland's college sector.

Through its work it:

- seeks to prepare and assist the sector deliver its vital contribution to the economic and social needs of Scotland
- serves the ambitions of Scotland's learners and the demands of Scotland's employers; and enhances the sector's national and international reputation.

Scotland's Colleges plans to work with its member colleges and key stakeholders to make a contribution to achievement of the following outcomes:

Successful college learners
Modern, relevant and vital college curriculum
Strong management, leadership and governance
Confident contribution to the nation's economic and social life
Excellent support agency.

The specific contribution of the Association of Scotland's Colleges is to support the work of the Principals' Convention and Chairs' Congress as they work to advance sector interests. It fulfils this role by informing and advising government, the Scottish Parliament and key audiences about the work of the colleges, informing the development of sector policy and strategy, and providing information and advice to colleges on a range of issues.

Specific support activities include:

- Supporting the Principals' Convention and Chairs' Congress meetings, and their subgroups. The

Convention and the Congress were formed to oversee sector business whilst the work groups are formed to take more substantial policy matters forward. The activities these work groups undertake range from broad, long terms issues such as Curriculum for Excellence to specific, technical issues such as 'Individual Staffing Returns'.

- Providing a range of briefing papers on various issues impacting upon the sector and formal responses to consultations on behalf of the sector.
- Arranging liaison meetings with external groups (eg. SFC, HMle, SDS).
- Providing Lead Principals with background papers in support of their work on behalf of the college sector in Scotland.

All of these were achieved through close working with SFEU under the brand Scotland's Colleges and indeed all staff of ASC were formally seconded to the SFEU to facilitate this.

Achievements and Performance

The sector has achieved much in the course of the year with the support of ASC, including:

- securing resources in support of the modernisation of some aspects of non-advanced qualifications and to deal with the current recession
- undertaking work to highlight specific areas of college activity with key influencers, for example, the college contribution to work in the Scottish Government's key economic sectors
- liaising and working with the STUC on developing a Staff Governance Standard and providing sector guidance on Equal Pay Audits
- with funding from the Scottish Funding Council, developing a guide for members of boards of management of colleges
 - a range of project-based activities related to national policy implementation where, for example, we support the college sector in its approaches to deal with young people requiring more choices, more chances with the overall aim of reducing the numbers disengaged from education or employment.
 - a range of project-based activities related to national curriculum initiatives where, for example, we work with other agencies in taking forward the Curriculum for Excellence reforms.
 - research activity providing an evidence base for development and policy activity related to the work of *Scotland's Colleges*.
 - an ongoing campaign which highlighted the risks associated with 'bogus' colleges
 - campaigning to ensure that proposed changes to visa regulations did not adversely affect international student recruitment by colleges

Financial Review

ASC has continued to deliver against its objectives and activities during the year. A surplus of £175k has been made for the year ended 31 July 2010 further strengthening the Company's financial stability and that of the Scotland's Colleges group.

Principal Funding Sources

ASC continued to receive funding through college subscriptions during the year, calculated on the level of grant in aid allocated to each college up to a maximum set annually by the Board.

Investment Policy

Under the Memorandum and Articles of Association ASC has the power to invest in any way the Directors think fit. Having regard to the operational liquidity requirements and risk profile of ASC, the Directors operate a policy of keeping funds required in the short to medium term in interest bearing deposit accounts.

Reserves Policy

The Board of Directors have established a policy to build unrestricted funds to a level sufficient to cover any unexpected liabilities which cannot be met out of operational income in the year. The level of reserves has therefore been set giving cognisance to the main risks and potential liabilities faced by ASC. This lends a

degree of financial stability to the business in the event that income sources are lost or reduced to ensure continuity of service provision. This policy will be revisited by the charity's directors in future periods to ensure that an appropriate reserves policy is set subsequent to this period of structural change.

The present level of reserves available at 31 July 2010 is £624k.

Plans for Future Periods

ASC continues to transition into *Scotland's Colleges*, having a unique contribution to make through its support of the Principals' Convention and the Chairs' Congress through the work of the Sector Development Directorate. *Scotland's Colleges* will deliver against a single strategic plan.

Directors' Responsibility in Relation to the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these 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
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue its activities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice, Accounting and Reporting for Charities (issued March 2005). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as the directors of the company, we certify that:

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

Auditors

In accordance with Company's Articles a resolution proposing that Wylie & Bisset LLP be reappointed as auditors of the company will be put at a General Meeting.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by charities (issued March 2005) and in accordance with the provisions applicable to companies subject to the small companies' regime of the Companies Act 2006.

By order of the Board:
Linda McTavish
Director

Corporate Governance Statement

ASC is committed to exhibiting best practice in all aspects of corporate governance.

The Board of Directors is responsible for the systems of internal control and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board of Directors is of the view that there is an ongoing process for identifying, evaluating and managing significant risks faced by ASC and that this process has been in place during the reporting period. This process is reviewed annually by the Board of Directors.

The Board of Directors will meet at least bi-annually and operates without delegated committees in place, all Board business being handled through the main board.

In respect of its strategic and development activities, the Board of Directors receives recommendations and advice from the Chief Executive.

Independent Auditors' Report to the Trustees and Members of Scottish Further Education Unit

We have audited the financial statements of Association of Scotland's Colleges for the year ended 31 July 2010 which comprise the Statement of Financial Activities, the Balance Sheet, and related notes. The financial statements have been prepared under the accounting policies set out therein.

The report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the members and the charity's trustees those matters we are required to state to them in an auditors' 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 charity, its members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

The trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Trustees' Annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with those Acts.

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, have been properly prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether, in our opinion, the information given in the Trustees' Annual Report is consistent with those financial statements.

We also report to you if, in our opinion, the charity has not kept adequate and proper accounting records, if the charity's financial statements are not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Trustees' Annual 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 significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

- The financial statements give a true and fair representation of the state of affairs of the charity's affairs as at 31 July 2010, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended.
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- The financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.
- The information given in the Trustees' Annual report is consistent with the financial statements.

Signature:

Senior Statutory Auditor:
Ross McLauchlan

For and on behalf of Wylie & Bisset LLP

Wylie & Bisset LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
168 Bath Street
Glasgow
G2 4TP
Date:

**Statement of Financial Activities (SOFA)
(including Income & Expenditure Account)
for the year ended 31 July 2010**

			Year Ended 2010 £'000	Year ended 2009 £'000
	Notes	Unrestricted Funds	Restricted Funds	Total Funds
Incoming Resources				
From generated funds:				
Voluntary Income				
Grants		-	70	70
Sponsorship		3	-	3
Subscriptions		731	-	731
Investment Income	3	4	-	4
Charitable Activities:				
Contracts and support services	4	13	-	13
Other incoming resources		22	-	22
Total Incoming Resources		773	70	843
Resources Expended				
Charitable activities	5	591	70	661
Governance costs	5	7	-	7
Total Resource Expended		598	70	668
Net incoming resources before transfers		175	-	175
Net incoming resources before other recognised losses		175	-	175
Net Incoming resources		175	-	175
Total Funds - Brought forward	13	449	-	449
Total Funds - Carried forward		624	-	624

The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing activities.

Balance Sheet as at 31 July 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Tangible fixed assets		-	-
Current assets			
Debtors	9	30	233
Investments		-	-
Cash at bank and in hand		634	733
		664	966
Current liabilities			
Creditors:			
Amounts falling due within one year	10	40	517
Net current assets		624	449
Total assets less current liabilities		624	449
Provision for liabilities and charges		-	-
Net assets		624	449
Represented by:			
Unrestricted funds			
General Funds	13	624	449
Total Funds		624	449

Approved by the Board of Directors and signed on its behalf by:

Ray Harris, Chief Executive

Linda McTavish, Director

Date

Association of Scotland's Colleges
 Charity Number: SC023848
 Company Number: SC143210

Notes to the Accounts for the Year Ended 31 July 2010

1. Legal Status of ASC

The Association of Scotland's Colleges (ASC) is a charitable company limited by guarantee in terms of the Companies Act 2006 and is a wholly-owned subsidiary of the Scottish Further Education Unit (SFEU). The liability of SFEU is limited to £1.

2. Accounting Policies

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention. The financial statements have been prepared in accordance with the requirements of the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005), the Companies Act 2006 and applicable accounting standards.

The Board is of the view that it would be reasonable to assume that ASC will continue to operate for the foreseeable future and, accordingly, the accounts have been prepared on the going concern basis.

(b) Fund Accounting

All of ASC's funds are classified as unrestricted with the exception of the Restructuring funds which are classed as restricted.

- Unrestricted funds are available for use at the discretion of the Board of Directors in furtherance of the general objectives of ASC.
- Designated funds are unrestricted funds earmarked by the Board of Directors for particular purposes.

(c) Incoming Resources

All incoming resources are included in the statement of financial activities when ASC is entitled to the income and the amount can be quantified with reasonable accuracy.

- Incoming resources from charitable trading activities are accounted for when earned.
- Incoming resources from grants, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance.

(d) Resources expended

Resources expended are included in the Statement of Financial Activities (SOFA) on an accruals basis and are recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of resources expended in the SOFA.

- Costs of generating funds comprise the costs associated with attracting voluntary income.
- Charitable expenditure comprises those costs incurred by ASC in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of ASC and include costs linked with strategic management.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.

(e) Fixed Assets

Fixed assets are shown in the balance sheet at cost, less amounts written off by way of depreciation. Tangible fixed assets are capitalised for non project items at £1,000 dependant on the nature of the acquisition along with any incidental expenses of the acquisition.

(f) Depreciation

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Computer equipment	33.3%
Office furniture	20.0%
Tenant's improvements	6.7%

A full year's depreciation charge is made in the year of asset acquisition.

(g) Taxation

ASC is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the taxes Act 1988 or Section 256 of taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. Non-recoverable Value Added Tax arising from expenditure on activities is charged to the income and expenditure account in the year in which it is incurred.

(h) Pensions

Retirement benefits to the employees of ASC are provided by the Falkirk Council Pension Fund (FCPF). This is a defined benefit scheme which is externally funded and contracted out of the State Earnings-Related Pension Scheme. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with ASC in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations every three years using the projected unit method. Liability for benefits is a charge on the FCPF.

3. Investment Income

Investment income of £3,638 is generated from interest bearing bank accounts.

4. Incoming Resources from Charitable Activities

	2010 £'000	2010 £'000	2009 £'000
	Unrestricted	Total	Total
Projects & Consultancy	13	13	-
Total	13	13	-

5. Total Resources expended

	Basis of allocation £'000	Charitable activities £'000	Projects, Consultancy Training and Facilitation £'000	Governance £'000	2010 Total £'000	2009 Total £'000
Costs directly allocated to activities						
Staffing costs	Direct	348	13	-	361	337
Other costs associated with support to colleges	Direct	284	-	-	284	213
Legal and professional fees	Direct	11	-	-	11	4
Board meeting costs	Direct	-	-	-	-	3
Support costs allocated to activities						
General	Direct	5	-	-	5	62
Audit Fees	Direct	-	-	7	7	7
Legal and professional fees	Direct	-	-	-	-	6
Total Resources Expended		648	13	7	668	632

6. Board Remuneration

The emoluments of the Chief Executive are disclosed in Note 7. No other member of the Board either received or waived any emoluments during the year (2009: £ nil).

Out of pocket expenses reimbursed to Board members were as follows:

	2010 No.	2009 No.	2010 £'000	2009 £'000
Travel	1	4	-	3

7. Staff costs

	2010 £'000	2009 £'000
Core Staff		
Wages and salaries	246	279
Social security costs	17	22
Other pension costs	31	36
Short-term and temporary staff		
Seconded	-	-
Consultants	67	49
Agency staffing	-	13
Total	361	399

The average number of full-time equivalent employees during the year was 5 (2009: 7).

Consultants are used for specific on-going activities supplementing the in-house knowledge and expertise.

There were no employees with emoluments above £60,000 during the year and no Chief Executive's secondment from SFEU. Therefore emoluments for the year were £0 (2009: £30,428).

8. Net Incoming Resources for the year

	2010 £'000	2009 £'000
This is stated after charging:		
External Auditors' remuneration	7	7
	7	7

9. Debtors

	2010 £'000	2009 £'000
Trade debtors	13	229
Prepayments and accrued income	17	4
Total	30	233

10. Creditors

	2010 £'000	2009 £'000
Trade creditors	19	10
Taxes and social security costs	4	6
Accruals and other creditors	13	13
Deferred income	4	488
Total	40	517

11. Deferred Income

	2010 £'000	2009 £'000
Deferred income at 1 August 2009	488	465
Applied during year	(488)	(465)
Deferred during year	4	488
Deferred income at 31 July 2010	4	488

	2010 £'000	2009 £'000
Analysis of Deferred Income		
Subscriptions	-	488
Project funding	4	-
Total	4	488

12. Pension costs

ASC operate one pension scheme, the Falkirk Council Pension Fund (FCPF). The total employer's pension cost for the period was as follows:

	2010 £'000	2009 £'000
Contribution to FCPF	31	36
Total pension cost	31	36

Falkirk Council Pension Fund (FCPF)

The FCPF is an unfunded defined benefit scheme where the assets are held in a separate, trustee-administered fund. The fund is open to all staff.

ASC paid contributions of 16.4% for the period from 1 April 2009 to 31 March 2010, this increased to 19.1% from 1 April 2010.

Actuarial valuations determine the level of employer contribution to the scheme and are as follows:

From 1 April 2009	16.4%
From 1 April 2010	19.1%
From 1 April 2011	19.1%

Employees' contribution rate is calculated on a tiered contribution basis dependant on pensionable salary.

FRS17 states that contributions should be effected by both a scheme surplus and a scheme deficit. However, it has been established that contribution rates are not affected by a scheme surplus and therefore the scheme is accounted for on a defined contribution basis as permitted by FRS 17.

The following information is based upon a full actuarial valuation of the Fund at 31 March 2008 updated to 31 July 2010 by a qualified independent actuary.

	At 31 July 2010	At 31 July 2009
Inflation	3.4%	3.7%
Rate of increase on salaries	4.9%	5.2%
Rate of increase on pensions	2.9%	3.7%
Discount rate for liabilities	5.4%	6.0%

The fair value of scheme assets attributed to ASC, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of scheme liabilities attributed to ASC which are derived from cash flow projections over long period and thus inherently uncertain, were:

	Value at 31 July 2010 £'000	Value at 31 July 2009 £'000
Total Market Value of assets	983	796
Present Value of scheme liabilities	(1,466)	(1,368)
Net liabilities	(483)	(572)

The pension charge for the year calculated under FRS17 assumptions is not included in the financial statements. If the charge had been included on an FRS17 basis, the following entries would have been made:

Analysis of amount charged to other financial income

	2010 £'000	2009 £'000
Service cost	36	41
Losses on curtailments	12	-
Past service cost	(111)	17
Total operating charge	(63)	58

Analysis of net return on pension scheme

	2010 £'000	2009 £'000
Expected return on pension scheme assets	55	63
Interest on pension liabilities	(83)	(71)
Net return	(28)	(8)

Analysis of amount recognised in statement of total recognised gains and losses

	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	6	(368)
Experience gains and losses on liabilities	-	-
Changes in financial assumptions underlying the scheme liabilities	-	-
Actuarial loss recognised in STRGL	6	(368)
Cumulative Actuarial gains and losses	(403)	(409)

Movement in deficit during the year

	2010 £'000	2009 £'000
(Deficit)/surplus in scheme at beginning of year	(572)	(174)
Current service cost	(36)	(41)
Contributions paid	48	36
Past Service Costs	111	(17)
Actuarial (loss)/gain	6	(368)
(Losses)/gains on curtailments	(12)	-
Net asset acquired	-	-
Net return on assets	(28)	(8)
Deficit in the scheme at end of year	(483)	(572)

Reconciliation of defined benefit obligation

	2010 £'000	2009 £'000
Opening Defined Benefit Obligation	1,368	1,034
Current Service cost	36	41
Interest Cost	83	71
Contributions by members	13	16
Actuarial losses/(gains)	80	203
Losses/(gains) on curtailments	12	-
Past Service cost	(111)	17
Estimated unfunded benefits paid	(15)	(14)
Closing Defined Benefit Obligation	1,466	1,368

Reconciliation of fair value of employer assets

	2010 £'000	2009 £'000
Opening Fair value of employer assets	796	860
Expected Return on assets	55	63
Contributions by members	13	16
Contributions by employers	48	36
Contributions in respect of unfunded benefits	-	-
Actuarial Gains/(losses)	86	(165)
Assets acquired in a business combination	-	-
Unfunded benefits paid	-	-
Benefits paid	(15)	(14)
Closing Fair Value of Employer Assets	983	796

13. Analysis of Unrestricted Funds

	Balance at 01 August 2009 £'000	Incoming Resources (inc. gains) £'000	Resources Expended £'000	Transferred £'000	Balance at 31 July 2010 £'000
General funds	49	843	(668)	(100)	124
Designated funds:					
Pension liability	400	-	-	100	500
Total	449	843	(668)	-	624

14. Analysis of Restricted Funds

	Balance at 01 August 2009 £'000	Incoming Resources (inc. gains) £'000	Resources Expended £'000	Transferred £'000	Balance at 31 July 2010 £'000
Restructuring Fund	-	70	(70)	-	0
Total	-	70	(70)	-	0

Restructuring Funds – these funds are received from Scottish Funding Council to support the staffing restructure required following the merger of SFEU and ASC.

15. Related Party Transactions

Due to the nature of the organisation and the composition of the board it is inevitable that transactions will take place with the organisations in which a member of the Board may have an interest. Also it is inevitable that transactions will take place with the parent company.

All transactions involving companies or organisations in which a member of the board may have an interest are conducted at arm's length and in accordance with the organisation's financial regulations. Board members are not permitted to participate in discussions, decisions or transactions involving their related business.

During the year a donation was made to the parent company and a transaction took place with a company in which the Chair of the Board had an interest. These are as follows:

Member	Company	Transactions £	Year End Balance £
Stewart Brymer	Stewart Brymer WS	12,558	NIL
	SFEU	208,000	NIL