

ANNUAL REPORT AND FINANCIAL STATEMENTS

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LEGAL AND ADMINISTRATIVE DETAILS

Charity name Association of Scotland's Colleges

Company number SC143210 (Company Limited by Guarantee)

Registered charity number SC023848

Principal addresses Argyll Court
Castle Business Park
Stirling
FK9 4TY

Directors

Ian Macpherson Jim Crooks Suzanne Dawson Peter Finch Ian Graham Ray Harris	Graeme Hyslop Graham Johnston Hugh Logan Howard McKenzie Sir Moray Stewart Ian Valentine
Co-opted: Sue Pinder	

Company Secretary Shena Mitchell

Bankers Bank of Scotland
1 Munro Road
Stirling, FK7 7SY

Solicitors Thorntons Law LLP
Whitehall House
33 Yeaman Shore
Dundee DD1 4BJ

Auditors Wylie & Bisset
168 Bath Street
Glasgow G2 4TP

The Association of Scotland's Colleges (ASC) is committed to exhibiting best practice in all aspects of governance.

Charitable Status

ASC is a company limited by guarantee and gained recognition by the Inland Revenue as a registered charity in July 1995. The Association charity number is SC 023848. The nature of its charitable status is to support education in, and to promote the objectives of Scottish further education colleges and other institutions in the further education sector in Scotland. ASC is registered with the Office of the Scottish Charity Regulator (OSCR).

What ASC Does

The mission of ASC is to support Scotland's colleges, be proactive in the development of policy, advance sector interests and represent college views.

The Role Of ASC

The Association of Scotland's Colleges is the policy and representative voice for Scotland's colleges. It fulfils this role by informing and advising government, the Scottish Parliament and key audiences about the work of Scotland's colleges, developing sector policy and strategy, and providing information and advice to colleges on a range of issues. ASC helps develop a sense of collective purpose for colleges by bringing colleges together to discuss issues affecting the sector.

ASC's Strategy – Aims and Objectives

The Association's strategy is focused on three main areas of activity:

- influence and representation;
- integration of Scotland's Colleges; and
- information and support to members.

These are supported by four key aims:

- to influence decision makers in Scotland, the UK and Europe to the benefit of the College sector, its students and other customers;
- to work with partners to improve sector resources;
- to facilitate discussion and the formulation of policy; and
- to support college decision makers.

ASC Board of Directors

ASC's Board meets four times a year and has three committees, which together look after the internal arrangements of the Association and the Executive:

- Finance Committee
- Remuneration Committee
- Audit Committee

The Finance Committee reviews and recommends to the Board the quarterly financial statements, annual budgets and monitors performance in relation to the approved budget.

The Remuneration Committee makes recommendations to the Board or determines the increase in annual pay scales for all ASC employees.

The Audit Committee meets once a year with the external auditors in attendance. The Audit Committee advises the Board on the appointment of external auditors.

ASC Executive

Howard McKenzie, ASC Director and Principal of Jewel & Esk College is currently fulfilling the role of Acting Chief Executive. The Acting Chief Executive and Company Secretary oversee the Budget (approved by the Board). The Chair of the Finance Committee authorises expenditure.

Corporate Strategy

The main policy and strategic direction of the Association is decided by the Board and its membership, assisted by the following forums and groups:

- general meetings of the membership;
- the Principals' Forum;
- the Chairpersons' Forum; and
- ad hoc working groups.

2007-08 OVERVIEW

Principals' Forum

The Principals' Forum was pleased to publish its first ever election prospectus, *Forward Together* in 2007. This set out an ambitious agenda for Scotland's Colleges to contribute towards a modern, progressive Scotland.

The policy agenda is wide and fast moving. Nothing stands still and the pace of change picked up in the past year.

A key theme that emerged was involvement of college Principals at the heart of policy-making for Lifelong Learning in Scotland. Developing the strategic partnerships underpinning policy development is in essence the major role for Principals' Forum and Principals' Forum Coordinating Group. One recent innovation that increasingly helped the sector's voice to be heard was the 'lead Principals' for particular issues. This demonstrates the joined up approach Scotland's colleges are taking to policy development. ASC staff underpin this approach by providing the support and coordination function necessary for sector initiatives to move forward.

Learners are at the heart of what Scotland's colleges do, and enhancing the experience for students is the core issue behind engagement with the Scottish Funding Council (SFC). To this end, two major reviews were standing items – quality enhancement and assessment and teaching funding methodologies. Both of these also involved the university sector and were evidence of an increasing trend for policy makers to think of one 'tertiary' sector.

Colleges also engaged with SFC to benchmark HR practices across the sector, modernise qualifications, with a particular focus on the further development of the Scottish Credit and Qualifications Framework (SCQF) and enhance the benefits of knowledge exchange with business.

Principals' Forum was very pleased to have the first ever joint meeting with a Scottish Government Minister on 21 February, when colleagues hosted a dinner with Cabinet Secretary Fiona Hyslop MSP. A major item of discussion was the strategic spending review and implications for the sector. The Scottish Government have been pleased to help colleges come together to work with colleagues in Malawi under the banner of Scotland's Colleges International.

Chairpersons' Forum

The Chairs' Forum provides a means for the governors of all Scotland's Colleges to come together to discuss and agree on sector-wide policy initiative relating to corporate governance and other matters. Colleges are represented by their Chairs and Vice-Chairs.

Chairs' Forum meets three times each year in March, June and October. Meetings are held at convenient times for Chairs and linked to ASC Annual Conference in June and the Annual General Meeting in October. The Forums provide an opportunity for speakers from organisations such as Scottish Government, Scottish Funding Council and Audit Scotland to interact with Chairs and hear their views on governance direct.

In October 2007 the Scottish Government published its response to the Review of Scotland's Colleges: *Promoting Excellence*. College Principals take this agenda very seriously and worked together to ensure that further enhancements were delivered to the learning experience in Scotland's Colleges. Chairs welcome that and support this activity.

College Governance was a central part of the Review which was launched at ASC's Annual Conference in June 2005. The Chairman represented Chairs' Forum at meetings of both the Accountability and Governance workstream and the Core Group for the review. An early example of how actions from the review are being taken forward is Scotland's College Governance Development Programme which was launched at Cumbernauld College on 15 May this year.

Other issues arising from the Review of Scotland's Colleges have been on the agenda for Chairs. These have included the need for individual college boards to respond to particular issues raised. The question of rewarding board members who are unpaid volunteers is always a difficult one. There are growing calls for consideration to be given for a more formal system of recognition. This is a matter of debate within colleges and with the Scottish Government. It is clear that whatever views arise the Scottish Government values greatly the work done by the Governors of Scotland's Colleges.

Chairs' Forum wanted to help raise the profile of Scotland's Colleges with members of the Scottish Parliament, the Scottish Government and other organisations. The measures taken by the Scottish Government to streamline the enterprise networks with the creation of Skills Development Scotland were warmly received. It was clear that the Scottish Government recognised colleges as the key delivery agent for much of the skills training the Scottish economy needs. Well governed institutions where senior management is open to constructive scrutiny by open and accountable trustees is a central element of ensuring that takes place. The Review of Scotland's Colleges demonstrated the overall health of Scotland's Colleges. Audit Scotland's Financial Overview report added to the sense that colleges are well placed to meet the challenges the Scottish Government asks of them to deliver a 'Smarter Scotland'.

There was relief throughout Scotland's Colleges when the Scottish Government announced it was bringing forward to Parliament legislation necessary to safeguard continuing charitable status for our institutions. This has been a long running campaign that the ASC has been at the heart of.

Achievements of ASC

Scotland's forty-three colleges of further and higher education are at the forefront of lifelong learning, education, training and skills; they have a huge impact on the economy and on people's lives., Colleges support individuals, communities and businesses to maximise their potential, achieve their aspirations, develop and growth.

The year since May 2007 has seen big changes in the social and political landscape of Scotland. Scotland's colleges have responded positively to many of those changes, and we value our strong relationships with all the political parties represented in Parliament. Colleges were pleased to contribute to the Scottish Government's Skills Strategy and are taking a keen interest in contributing to the establishment of Skills Development Scotland Ltd and the UK Commission for Employment and Skills. There is no doubt

that the focus on skills is increasing, not only here in Parliament, but also in the businesses, schools and communities we serve. Scotland's colleges are at the heart of that skills revolution

ASC has a crucial part to play in delivering success for the college sector. The Association is a pivotal part of effective policy development in the sector, spreading the message to key decision makers about the contribution Scotland's colleges make to learners, business and communities throughout Scotland.

Since the first sitting of this Parliamentary session ASC has written to MSPs regularly, keeping them informed of Scotland's Colleges policy positions on important issues under consideration. ASC has also distributed short briefs ahead of key policy debates, whether in committee or the main Chamber. Feedback from MSPs informs us these are well regarded and a useful resource to help informed debate on issues affecting Scotland's Colleges.

In addition to commenting on topical issues under debate there have been specific matters ASC has written to MSPs about. Two big topics have been the Strategic Spending Review and Charitable Status for Scotland's Colleges. ASC welcomed the Government's spending commitments for colleges. Capital investment is continuing along with small increases in revenue funding. Loss of charitable status would put at risk the financial security colleges have worked hard to deliver since 2000.

ASC contact with small businesses in particular leads to the conclusion that colleges need to grow. Supply of intermediate skills has not kept pace with the demands of a growing economy. If the years since devolution have been about consolidation and investment then those moving into a new decade must be about growth. The Scottish Parliament and Government have an ambitious agenda and Scotland's Colleges should increasingly play a central role driving the economic development of our country for the benefit of all. ASC is working on detailed proposals for the next spending review period that will show how increased investment in colleges can deliver lifelong learning for all Scots and the successful, sustainable and socially just to which we all aspire.

This year has also seen the completion of a significantly enhanced Quality Framework, produced in partnership with Her Majesty's Inspectors of Education, the Scottish Funding Council and the National Union of Students. Reviews commence in 2009.

A milestone in the developing relationship with the Sector Skills Councils was the signing of a collaborative agreement between ASC Principals' Forum and the Alliance of Sector Skills Councils at the Scottish Government's "Skills for Scotland" Conference in April 2008.

Additional work tasked to ASC and STUC under Promoting Excellence is developing a Staff Governance Standard, developing a Sector approach to equal pay audits and carrying our national qualitative staff surveys. Progress is being made in all of these through a joint ASC/STUC Working Group.

In response to campaigns by Sector leaders, advised and supported by the Policy Team, ASC has also been pleased to see a far greater recognition of the work of Colleges and the positive contributions they make to Scotland's economy and the lives of learners. Most progress has been observed in the Curriculum for Excellence Project (the initiative which will radically change the way learning is made available to the majority of Scotland's students and from which the next generation of national qualifications will come) and in the revision of Scotland's Science Strategy, where Colleges are included for the first time.

THE CHALLENGES AHEAD

ASC's aims and objectives will remain constant in 2009. They are:

- to influence decision makers in Scotland, the UK and Europe to the benefit of the College sector, its students and other customers;
- to work with partners to improve sector resources;
- to facilitate discussion and the formulation of policy; and
- to support college decision makers.

Student Support

ASC is preparing its case for the proposal of means-tested bursaries for HNC and HND students to submit to the Scottish Government's forthcoming consultation on student support, due to be launched in October.

ASC is preparing a publication of case-studies to present to MSPs before the Christmas parliamentary recess to demonstrate the life-changing work happening throughout Scotland's colleges every day.

Business bursaries – increasing the number of apprentices

This is an initiative to assist businesses that don't have the capacity to support a modern apprenticeship and involves supporting businesses over a two year period to allow their employees to obtain an NVQ through day release.

Future Plans for ASC

ASC is in merger discussions with three other sector support agencies – Colleges Open Learning Exchange Group, Scotland's Colleges International and the Scottish Further Education Unit – all based at Argyll Court Stirling. It is anticipated that a merger of some form will be finalised in financial year 2009 -2010.

COMPANY BUSINESS

Disclosure of information to auditors

The directors who held office at the date of approval of this trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Financial Statements

The financial statements have been laid out to comply with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) for charities.

Income for the 16 month period was just over £1m (12 months to 31 March 2007: £780,139). The subscription formula was 0.265% of SFC grant-in-aid, (subject to a maximum of £18,600). Bank interest was £28,680 (£16,328 in 2006-07).

Expenditure in the period was £844,250 (£768,758 in 2006-07).

Before adjustment for FRS17 – retirement benefits – ASC had unrestricted reserves of £349,198. Adjustment for FRS17 resulted in a surplus of £175,198. In 2007 unrestricted reserves stood at £204,798. Adjustment for FRS17 resulted in a surplus of £37,798.

Contingent Liabilities

A contingent liability was identified in 2005 for potential dilapidation charges in the event of ASC quitting its current premises. This remains, and the Board agreed that unrestricted reserves should be assigned to cover this liability.

Net Assets

At 31 July 2008 the charity had net assets, excluding pension liabilities, of £349,198. However, the pension liability under FRS17 of £174,000 resulted in overall net assets of £175,198.

Cashflow

At 31 July 2008 ASC had cash at bank of £792,107.

It is the policy of ASC to invest cash in an interest bearing current account which allows access to ensure the continued flexibility to meet the charity's obligations as they fall due.

Directors

The following are Directors of the Company:

Ian Macpherson	Chairman	
Ian Graham	Vice-Chair	
Jim Crooks	Director	Elected October 2007
Suzanne Dawson	Director	
Peter Finch	Director	
Ian Graham	Director	
Ray Harris	Director	
Graeme Hyslop	Director	
Graham Johnstone	Director	
Hugh Logan	Director	
Russell Marchant	Director	Resigned October 2007
Howard McKenzie	Director	
Sir Moray Stewart	Director	Resigned October 2008
Ian Valentine	Director	
Sue Pinder	Co-opted Director	

Directors are nominated and elected by the membership. The Articles of Association provide for 12 people to comprise the Board of Directors - six Chairpersons and six Principals, provided the Board does not at any time include both the Chairperson and Principal of any one college. Half the Board must stand down every second year but can stand for re-election if they wish.

Sue Pinder was co-opted to the Board in March 2007 as a consequence of being elected Convenor of Principals' Forum

Employees

The average number of employees of ASC Executive was eight. Howard McKenzie continued in his part-time role as Acting Chief Executive.

Health and Safety

ASC complies with current Health and Safety law and keeps staff informed of current practice.

Equal Opportunities

ASC is an equal opportunities employer.

Data Protection Act

ASC is aware of the implications and its obligations under the Data Protection Act (DPA) which came into force in 2000. All personal data held on employees are kept in a secure place and any data held electronically is password, or otherwise, protected.

ASC is also aware of and applies the eight data protection principles and terms used in relation to the DPA.

Risk Management

The Executive carried out a risk analysis and formulated a Risk Management Policy and Procedure (RMPP) in 2004.

The RMPP was approved by the Board in 2004 and is reviewed annually.

Donations

No UK political or charitable donations were made by ASC during the financial year.

Charitable Status

ASC is a company limited by guarantee and gained recognition by the Inland Revenue as a registered charity in July 1995. The Association charity number is SC 023848. The nature of its charitable status is to support education in, and to promote the objectives of Scottish further education colleges and other institutions in the further education sector in Scotland. ASC is registered with the Office of the Scottish Charity Regulator (OSCR).

Company Registration Number

ASC's Company Registration Number is SC143210.

Statement to Auditors

In accordance with company law, as the company's Directors, we certify 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 steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors were made aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' REPORT AND 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.

The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the excess of expenditure over income 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; and
- 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 proper accounting records that 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.



IAN MACPHERSON
Chairman - Board of Directors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ASSOCIATION OF SCOTLAND'S COLLEGES LIMITED

We have audited the financial statements of the Association of Scotland's Colleges Limited (formerly the Association of Scottish Colleges) for the year ended 31 July 2008 which comprise the Statement of Financial Activities (including Income and Expenditure Account), the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable 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 charitable 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 13, the company's trustees, who are also the directors of Association of Scotland's Colleges Limited for the purposes of company law, are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK 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 Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charitable 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 other transactions is not disclosed.

We read the Trustees' 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 July 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the financial statements.

Wyllie & Bisset LLP

12/12/08

Wyllie & Bisset LLP
Chartered Accountants
Registered Auditor

STATEMENT OF FINANCIAL ACTIVITIES
(including INCOME AND EXPENDITURE ACCOUNT)
for the 16 months ended 31 July 2008

		Unrestricted Funds (ex FRS17)	Unrestricted Funds (inc FRS17)	Unrestricted Funds
	NOTE	2008 <i>2009</i>	2008 <i>AS restated</i>	2007 £
INCOMING RESOURCES				
Incoming resources from generated funds				
Voluntary income	2	933,910	933,910	668,722
Investment Income	2	28,680	28,680	16,328
Other incoming resources		66,060	66,060	95,089
Total Incoming Resources		1,028,650	1,028,650	780,139
RESOURCES EXPENDED				
Charitable Activities	5	856,924	856,924	734,389
Governance Costs	6	27,326	27,326	28,369
Net finance (income)/expense	10			(2,000)
Total Resources Expended		884,250	884,250	760,758
Net outgoing resources		144,400	144,400	19,381
Other recognised gains and losses				
Actuarial (loss)/gain recognised in the pension scheme			(7,000)	82,000
Net movement in funds		144,400	137,400	101,381
Reconciliation of funds				
Total Funds Brought forward		204,798	37,798	(63,583)
Total Funds carried forward		349,198	175,198	37,798

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

BALANCE SHEET
as at 31 July 2008

	NOTE	16 months to 31 July 2008 £	2007 £
<u>Current Assets</u>			
Debtors		92,691	2,311
Cash at bank and in hand		792,107	268,644
Total current assets		884,798	270,955
<u>Current Liabilities</u>			
Creditors: amounts falling due within one year	8	535,600	66,157
Net assets excluding pension liability		349,198	204,798
Net pension liability	10	(174,000)	(167,000)
Net assets including pension liability		175,198	37,798
<u>Represented by</u>			
Unrestricted reserves		349,198	204,798
Pension reserve		(174,000)	(167,000)
Total unrestricted reserves	12	175,198	37,798

The notes on pages 17-26 form part of these accounts

Approved by the Board of Directors on 2 December 2008


Ian Macpherson
Chairman – Board of Directors


Howard McKenzie
Acting Chief Executive

NOTES TO THE ACCOUNTS for the 16 Months Ended 31 July 2008

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements:

- Statement of Recommended Practice : Accounting and Reporting by Charities (issued February 2005)

The recognition and measurement requirements of FRS 17 'Retirement benefits' have also been adopted. The accounting policies made under these requirements are set out below together with an indication of their adoption.

Basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Companies Act 1985, the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in February 2005 and applicable accounting standards.

At 31 July 2008 the company balance sheet recorded a net surplus position of £175,198. This reflects the inclusion of pension liabilities falling due in future years which will be met from the Association's sources of income.

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.

Taxation

Non-recoverable Value Added Tax arising is charged to the income and expenditure account.

Status

The Company is limited by guarantee and does not have any share capital. The liability of each of the 41 full members of the Company is limited to £1 by the recommendation of the Association.

Charitable Status

The Association of Scottish Colleges has been recognised as a charity by the Inland Revenue and is registered under Scottish Charity number SC023848. As such the accounts are required to comply with the Charities Accounts (Scotland) Regulations 1992.

It is the Directors' belief that the accounts contain adequate information to meet the required disclosures of the regulations.

Fund Accounting

Funds held by the charity are:

Unrestricted general funds – these are funds which can be used in accordance with the charitable objects at the discretion of the Board of Directors and have not been designated for any specific purpose. These funds are used by ASC in its role as the policy and representative voice of Scotland's colleges. It fulfils this role by informing and advising Government and key audiences about the work of the College sector and responding to Government and other agency consultations. ASC also contributes a sense of collective purpose for the sector and is central to policy and decision making on relevant issues.

Resources expended

Resources expended are included in the Statement of Financial Activities 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. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of the resources. The charity is not registered for VAT and accordingly expenditure is shown gross of irrecoverable VAT

Costs in furtherance of the charity's objectives include staff costs and project costs and resources expended on managing and administering the charity represent professional fees.

Governance costs are associated with the strategic planning and management of the Association and reflect an element of the costs of the office of the Chief Executive and other staff members. They also include professional advice for the Directors, audit fees and Directors' expenses. Support costs are those which enable charitable activities to be undertaken. Note 6 gives further information on what support costs include and the basis of apportionment to cost categories.

← A contingent liability has been identified for potential dilapidation charges in the event of ASC quitting its current premises.

Operating lease rental

Rentals payable in respect of an operating lease are charged in the statement of financial activities for the period to which they relate.

Post-retirement benefits – Falkirk Council Pension Fund

The company participates in the Falkirk Council Pension Fund, a pension scheme providing benefits based on final pensionable pay, on behalf of certain employees. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and actuarial gains and losses.

2. INCOMING RESOURCES POLICY

Incoming resources from charitable activities represent subscription income and funding for projects. The Company is mainly funded mainly by direct subscription from its members.

Subscriptions are based on the level of SFC grant-in-aid allocated to each member. Subscriptions for 2007-08 were paid in full by all 39 college members and the 7 associate members of the Association.

Other income received by ASC is for specific items of work or projects undertaken on behalf of the college sector. These payments support or contribute to the expenditure occurred on execution of the work or projects.

Interest income arising on cash balances is recognised when receivable.

All IT equipment, and other equipment costing less than £500 is expensed as a revenue in the year of purchase through the Statement of Financial Activities (SoFA). Non IT equipment costing greater than £500 is capitalised and written off over its existing useful life.

3. STAFF COSTS AND NUMBERS

3.1 Salaries and related pay costs

	16 months to 31 July 2008	2007
	£	£
Staff		
Salaries	312,474	266,942
Social Security costs	26,120	18,989
Pension costs (Note 10)	41,817	35,404
Short term and temporary staff		
Consultants & Temporary Staff	143,974	132,376
Total pay costs	<u>524,385</u>	<u>453,711</u>

The average number of staff employed by the Association during the year was 7 (2007: 8).

95% of staff costs are allocated to charitable activities and 5% to governance (central management and administration).

Consultants are used for specific and on-going projects, providing additional knowledge and experience for the Executive.

Temporary staff are used to cover short and long-term absences.

3.2 Remuneration of the Chief Executive

	16 months to 31 July 2008	2007
	£	£
Salary	0	50,000
Pension Contributions	0	6,600
Total	<u>0</u>	<u>56,600</u>

ASC paid Jewel & Esk College a total of £33,594 for the services of Howard McKenzie as acting Chief Executive.

No other employees received emoluments as defined for taxation purposes over £50,000 in the year.

4. REMUNERATION OF BOARD OF DIRECTORS

No members of the Board of Directors received remuneration during the year. 5 Board members received travel expenses totalling £1550.

5. CHARITABLE ACTIVITIES

	16 months to 31 July	
	2008	2007
	£	£
Staff Costs	361,390	297,268
Consultants and Temporary staff	143,974	132,376
Equipment	8,529	84
Conference	339	2,189
Meetings, Events and Subscriptions	45,600	40,860
Travel	28,904	23,426
Communications, Advertising and Library	123,280	63,253
Projects	36,643	91,712
Accounting fees	11,280	10,680
Insurance	594	356
Bank charges	494	302
Legal fees	1,075	2,356
Telephone, Postage & Stationery	12,350	15,136
Accommodation Rental and support service charges	82,472	54,391
	856,924	734,389

6. RESOURCES EXPENDED

	Direct costs £	Support costs £	Total £	2007 £
Charitable activities	495,534	361,390	856,924	734,389
Governance costs	<u>8,305</u>	<u>19,021</u>	<u>27,326</u>	<u>28,369</u>
	<u>503,839</u>	<u>380,411</u>	<u>884,250</u>	<u>762,758</u>

The activities underlying the costs above, under each heading are:

Charitable activities – include staff and project costs as well as the costs of running the annual conference.

Governance costs – expenditure incurred in providing strategic planning and management and the costs of professional advice for the directors, audit fees and directors expenses as follows:

	16 months to	
	31 July	
	2008	2007
	£	£
Audit fees	6,755	7,432
Board expenses	1,550	1,932
Legal fees	0	2,938
Support Costs	<u>19,021</u>	<u>16,067</u>
	<u>27,326</u>	<u>28,369</u>

Allocation of Support Costs

Activity	Charitable activities	Governance	Total	2007
	£	£	£	£
Central management and administration	<u>361,390</u>	<u>19,021</u>	<u>380,411</u>	<u>321,355</u>

Central management and administration are the support departments that enable the activities to be carried out. They include senior management, finance, IT, personnel, PR, management and general administration. The governance costs are allocated first and these reflect the costs of strategic planning and management and of professional advice for the directors, audit fees and directors expenses. The balance of the support costs has been apportioned on the basis of staff time. Auditors' remuneration in respect of audit services for the year amounted to £4500.

95% of staff costs are allocated to charitable activities and 5% to governance (central management and administration).

7. TAXATION

The company 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.

8. CREDITORS – AMOUNT FALLING DUE WITHIN ONE YEAR

	16 months to	
	31 July	
	2008	2007
	£	£
Trade Creditors	43,570	38,079
Accruals	<u>492,030</u>	<u>28,078</u>
	<u>535,600</u>	<u>66,157</u>

9. CAPITAL COMMITMENTS

- a. There were no outstanding capital commitments at 31 July 2008.
- b. Annual commitments under non-cancellable operating leases are as follows:

	16 months to 31 July			
	2008		2007	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	-	-	-
Over five years	26,381	-	26,381	-
	<u>26,381</u>		<u>26,381</u>	

10. PENSION AND SIMILAR OBLIGATIONS

The Association participates in the Falkirk Council Pension Fund, (FCPF), which is an unfunded defined benefit pension scheme where contributions payable are held in a trust separately from the Association. The main results and assumptions of the most recent valuation of the FCPF are as follows:

Valuation date	31 March 2007
Valuation method	Projected Unit Method
Market value of assets	£944 million
Funding level for accrued benefits	0
Assets :	
Equities	73%
Bonds/cash	14%
Property	11%

The Association paid contributions of 12.8% (£29,388) for the accounting period as recommended by the actuary. Surpluses and deficits are spread over employees' future service lives, and the pension charge recorded by the Association during the accounting period was equal to the contributions payable.

The expected rates of return on the assets in the scheme were:

	Long term rate of return		
	2008	2007	2006
Equities	7.8%	7.8%	7.4%
Bonds	5.7%	4.9%	4.6%
Property	5.7%	5.8%	5.5%
Cash	4.8%	4.9%	4.6%

The assumptions used by the actuary are the best estimates chosen from a range of actuarial assumptions which, due to the timescale covered, many not necessarily be borne out at best practice.

The actuarial valuation at 31 March 2007 was updated by the actuary on an FRS17 basis at 31 July 2008. The fair value of scheme assets, 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 which are derived from cashflow projections over long period and thus inherently uncertain, were:

Actuarial assumption		2008	2007	2006
	Discount rate	6.7%	5.4%	4.9%
	Salary increase rate	5.3%	4.7%	4.6%
	Pension increase rate	3.8%	3.2%	3.1%
	Rate of Inflation	4.4%	3.2%	3.1%
Value of Assets	Equities	£617,000	£622,000	£547,000
	Bonds	£126,000	£116,000	£98,000
	Other	£117,000	£113,000	£101,000
	TOTAL	£860,000	£851,000	£746,000
Value of liabilities		£1,034,000	£1,018,000	£1,005,000
Related deferred tax liability		--	--	--
Net pension liability		£174,000	£167,000	£259,000

Analysis of amount charged to other financial income

	2008	2007
	£	£
Expected return on pension scheme assets	21,000	62,000
Interest cost	<u>(21,000)</u>	<u>(57,000)</u>
Net return	<u>-</u>	<u>5,000</u>

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

	2008	2007
	£	£
Actual return less expected return on pension scheme assets	(150,000)	(7,000)
Experience gains and losses on liabilities	143,000	
Changes in financial assumptions underlying the scheme liabilities	=	<u>89,000</u>
Actuarial loss recognised in STRGL	<u>(7,000)</u>	<u>82,000</u>

Movement in deficit during the year

	2008 £	2007 £
Deficit in scheme at beginning of year	(167,000)	(259,000)
Current service cost	(67,000)	(58,000)
Contributions paid	48,000	49,000
Past Service Costs	--	17,000
Net finance income	--	2,000
Actuarial (loss)/gain	7,000	82,000
Net return on assets	5,000	-
Deficit in the scheme at end of year	<u>(174,000)</u>	<u>(167,000)</u>

Analysis of other pension costs charged in arriving at operating profit/loss

	2008 £	2007 £
Current service cost	<u>67,000</u>	<u>54,000</u>

History of Experience Gains and Losses

	2008 £	2007 £
Difference between the expected and actual return on assets	(143,000)	(7,000)
Value of Assets	860,000	851,000
Percentage of assets	(6.6%)	(0.8%)
Experience gains and losses arising on scheme liabilities	--	--
Total present value of liabilities	1,034,000	1,018,000
Percentage of the total present value of liabilities	--	--
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	(140,000)	82,000
Total present value of liabilities	1,034,000	1,018,000
Percentage of present value of liabilities	<u>(13.5%)</u>	<u>(8.1%)</u>

11. RELATED PARTIES

ASC represents and supports its member colleges and associate members. Its Directors are Principals or Chairpersons of the Boards of Management of its member colleges.

Due to the nature of the company's activities and the composition of its Board of Directors it is inevitable that transactions will take place with companies or other organisations in which a director may have an interest. All transactions involving companies or organisations in which a director may have an interest are conducted at arm's length and in accordance with normal project rules. Directors are not permitted to

participate in discussions or decisions on transactions involving their related business.

Association of Scotland's Colleges
October 2008