

sportscotland Lottery Fund

Annual Report 2005/06

Statement of Account Prepared Pursuant to Section 35
of the National Lottery etc Act 1993

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26 October 2006

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October 2006

sportscotland

Lottery Fund

Statement of Account Prepared Pursuant to Section 35 of the National Lottery etc Act 1993

Report of the Council

Foreword

- 1 The Scottish Sports Council was established by Royal Charter in 1972 for the purposes, inter alia, “of fostering the knowledge and practice of sport and physical recreation among the public at large and the provision of facilities therefor”. On 1 July 1999 the Scottish Sports Council adopted the trading name of **sportscotland**, the name which is used throughout this report to account for the whole of 2005/06.

National Lottery Fund

- 2 Under the *National Lottery etc Act 1993*, **sportscotland** was appointed to distribute National Lottery Funds for expenditure on or connected with sport in Scotland, in accordance with the powers set out in its Royal Charter.
- 3 Under the directions given by the Scottish Ministers all distributing bodies must prepare separate statements of accounts relating to the disbursement of Lottery monies.

Results

- 4 The accounts relate to the year ended 31 March 2006 and are prepared in a form directed by the Scottish Ministers in accordance with section 35 of Part II of the *National Lottery etc. Act 1993*. The table below shows the total funds held under the stewardship of the National Lottery Distribution Fund (NLDF) and the commitments made on these funds.

| | 2006 | 2005 |
|--|---------------|---------------|
| | £000's | £000's |
| Total Fund | 54,713 | 56,992 |
| Awards Committed, Offered and Accepted | 26,007 | 33,797 |
| Awards Committed and Offered; Not Accepted | 200 | 952 |
| Unallocated Balance before NRSFS commitments | <u>28,506</u> | <u>22,243</u> |
| National & Regional Sports Facilities Strategy (NRSFS) | <u>12,000</u> | <u>12,000</u> |
| Unallocated Balance after NRSFS commitments | <u>16,506</u> | <u>10,243</u> |

£12m (2004/05 £12m) of the unallocated balance has been earmarked for the National and Regional Sports Facilities Strategy (NRSFS) along with £10m

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(2004/05 £10m) of the Awards Committed balance. This totals to the £22m Lottery input to the NRSFS. A further £28m has been committed to this project through Exchequer funding. The remainder of the unallocated balance £16,506k (2004/05 £10,243k) will be utilised for various revenue and capital projects over the next 4 years. During the year to 31 March 2006, £23,524k (2004/05 £28,977k) was called down from the NLDF towards the payment of approved awards and the administration of the National Lottery Fund. Administration costs including depreciation and notional costs for the year totalled £3,446k (2004/05 £3,167k). During the year 2004/05, Lottery administration costs became part of the **sportscotland** integrated budget process, which aligns all relevant costs to the overall **sportscotland** corporate objectives. Under FRS17, the accounting standard which stipulates that an entity must show its pension liability or asset, the **sportscotland** Lottery Fund now shows a pension asset of £25k (2004/05 liability of £125k). See Note 15 for full detail.

Review of Activities

- 5 **sportscotland** has continued to invest its Lottery funds through its programmes and activities which focus on the three co-dependent visions at the core of *Sport 21: Shaping Scotland's Future*, the strategy for Scottish sport. The visions are:
 - 5.1 A country where sport is more widely available to all.
 - 5.2 A country where talent is recognised and nurtured.
 - 5.3 A country achieving and sustaining world class performances in sport.
- 6 During 2005/06, **sportscotland** continued to develop the new Integrated Investment Process that was introduced in 2004/05. This investment process was put in place so that organisations could submit a business plan and apply for funding against a number of investment categories linked to the three visions. The Investment Categories are: Athlete Support, Player Improvement, Club Development, Coaching - Governing Body, Performance Staffing (replacing Coach Support and Elite Coach Development from April 2005), Volunteer Development, Organisational Development, and a new category - Community Regeneration (replacing the Social Inclusion Partnerships Programme from April 2005). Lottery funding is integrated with Exchequer funding to support these plans.
- 7 In 2005/06 this new Integrated Investment Process was introduced for Local Authorities, covering particularly the Community Regeneration investment category. It was the second year of integrated investments for Governing Bodies of Sport.
- 8 Also, during 2005/06, **sportscotland** continued to develop procedures and system requirements to support this Integrated Investment Process. In April 2005, **sportscotland** contracted with a commercial software supplier to build the new system (ITIS) in partnership with **sportscotland** staff. ITIS was launched later in the year, and training for core users was completed by the end of February 2006.
- 9 Although the process of applying for funds has been integrated, and streamlined, our funds and accounting records are kept separate so that individual sets of accounts are produced for Lottery and Exchequer.
- 10 **sportscotland** continued to fund the Scottish Institute of Sport, and Area Institute network, with 2005/06 being the third year of the Scottish Institute's current 4-

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year investment phase and the first year of the Area Institutes' 4 year investment phase.

- 11 **sportscotland** continued to invest Lottery monies in sports facilities through the Building for Sport Programme, which was introduced in 2004/05. Exchequer funding from the Scottish Executive was also secured for this programme in 2005/06, and will be available for projects coming on stream from April 2006.
- 12 Under the National and Regional Sports Facilities Strategy, **sportscotland** continued to work in partnership with the Local Authorities that received Stage 1 approval in July 2004. Stage 2 applications were received and assessed during 2005/06.
- 13 **sportscotland** continued to support the Awards for All programme, administered by the Big Lottery Fund.
- 14 **sportscotland** continued to co-ordinate the *Sport 21* implementation process at a strategic level. A review of the strategic plan *Sport 21 2003-2007: Shaping Scotland's Future* commenced in October 2005, led by the Scottish Executive. Following its completion **sportscotland** will review its Lottery strategy.
- 15 **sportscotland's** Chief Executive, Ian Taylor, tendered his resignation and left the organisation on 6 May 2005. Stewart Harris was appointed acting Chief Executive and Accountable Officer, and his position was confirmed in November 2005.
- 16 **sportscotland's** Chairman, Alastair Dempster, finished his term of office on 30 June 2005. A new Chair, Julia Bracewell, was appointed from 1 July 2005.

Fixed Assets

- 17 During the year to 31 March 2006 a total of £107k (2004/05 £41k) has been spent on acquiring fixed assets for **sportscotland** Lottery Fund activities.

Retained Reserves

- 18 Accumulated funds totalling £35,874k (2004/05 £39,342k) were held on the balance sheet at the end of the year.

Future Developments

- 19 In the near future **sportscotland** will continue to fund those applications whose projects support the delivery of the current Sport 21 strategy. Following its updating, it is expected that a new Lottery strategy, for 2007-2011, will be developed which will be aimed at delivering the revised national strategy for sport.
- 20 Whilst at this time it is not possible to state its content, continuing investment in increasing participation in sport, developing the pathway for the development of players and increasing standards of performance in sport is likely to remain its focus. As part of this focus, investment in the organisations and the workforce, both professional and volunteer, who deliver these outcomes will continue. A key element of the pattern of this investment will be those organisations with limited alternative funding sources, including for instance the Scottish Institute of Sport. Investment in quality accessible facilities to support the activities of these organisations will continue, including the implementation of the National and Regional Sports Facility Strategy.

Payment of Creditors

- 21 In line with Treasury guidance the **sportscotland** Lottery Fund has a policy to pay all invoices not in dispute within 30 days or according to the agreed contractual terms if otherwise specified. The Lottery Fund aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, on time in these terms.
- 22 During the year ended 31 March 2006 the Lottery Fund paid 100% of all invoices received within the terms of its payment policy.
- 23 The **sportscotland** Lottery Fund observes the principals of the Better Payment Practice Code.

Remuneration Arrangements

- 24 The **sportscotland** Lottery Fund operates a full Performance and Development Appraisal system to determine the individual rewards paid to all employees within the Lottery Fund along with senior managers and directors. All pay awards continue to require ministerial approval.
- 25 The **sportscotland** Remuneration Committee makes recommendations, for ministerial approval, with regard to the remuneration package and conditions of employment for the Chief Executive.

Risk Management

- 26 The system of internal control within **sportscotland** is based on an ongoing process designed to identify the principal risks to the achievement of **sportscotland** policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.
- 27 Senior management risk reviews continue on a six-monthly cycle during which business objectives and risks, together with strategies for each of the significant risks, are identified.
- 28 Based on the above, some of the main risks are identified below:-
- Limited Lottery resources are/become insufficient to deliver core activities.
 - The inability to deliver sufficient Sport 21 outcomes to the satisfaction of Scottish executive.

Appointment of Auditors

- 29 This year is the final year of KPMG LLP's 5 year appointment as auditors of the **sportscotland** Lottery Fund. Audit Scotland has confirmed the appointment of Scott-Moncrieff, Chartered Accountants, as auditors of the **sportscotland** Lottery Fund for the next 5 year period from 2006/07 to 2010/11.

Equal Opportunity in Employment and Disabled Employees

- 30 **sportscotland** is committed to the promotion of policies for equal opportunities and to non-discrimination on the grounds of disability.

Employee Involvement

- 31 **sportscotland** involves employees in decisions which may affect their welfare, through its Joint Consultative Committee, which brings together representatives from Management and Trade Unions.

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Events Since the Balance Sheet Date

- 27 The Minister for Tourism, Culture and Sport announced on 18 May 2006 that Scottish Ministers had concluded that **sportscotland's** headquarters should be relocated to the new National Indoor Sports Arena in the east end of Glasgow once that facility is completed, such completion being due in the Autumn of 2009. **sportscotland** is currently assessing the implications of this announcement and, as requested by the Minister, will put into place a Project Implementation Plan with detailed proposals for relocation.

Members

The Members of the **sportscotland** Council at 31 March 2006, all of whom have been Members throughout the year, with the exception of those indicated otherwise, are listed below:

A Dempster (Chairman until 30.06.05)

J Bracewell OBE* (Chair from 01.07.05)

T R Campbell

I Mason*

W-Y Hatton

Dr. L Leighton-Beck

F Wishart

A J Jones (Until 28.09.05)

A Duncan*

S Grimmond

S Wright

L Martin CBE (Until 15.11.05)

K McAully (From 13.02.06)

I Beattie (From 13.02.06)

C Dobson (From 13.02.06)

* Member of the Remuneration Committee


J Bracewell OBE
Chair
31 July 2006


S Harris
Accountable Officer
31 July 2006

Statement of sportscotland and Chief Executive's Responsibilities

Under Section 35(2) - (3) of the *National Lottery etc Act 1993*, **sportscotland** is required to prepare a statement of accounts in the form and on the basis directed by the Scottish Ministers with the consent of the Secretary of State for the Department of Culture, Media and Sport. The accounts are prepared on an accruals basis and must give a true and fair view of the **sportscotland** Lottery Fund's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the **sportscotland** Lottery Fund is required to:

Observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.

Make judgements and estimates on a reasonable basis.

State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.

Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the **sportscotland** Lottery Fund will continue in operation.

The Accountable Officer for the Scottish Education Department has designated the Chief Executive of **sportscotland** as Accountable Officer for the **sportscotland** Lottery Fund. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Memorandum to Accountable Officers of other Public Bodies issued by the Scottish Executive.



S Harris
Chief Executive
31 July 2006

Statement on the Systems of Internal Control

As Accountable Officer, I have responsibility for maintaining a sound system of internal control which supports the delivery of **sportscotland** policies, aims and objectives, as set by the Scottish Executive Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me. Accordingly, I can confirm that adequate arrangements for detecting and responding to inefficiency, conflict of interest and fraud and minimising losses of Lottery Grants were in place throughout the 05/06 year.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of **sportscotland** policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The procedures have been in place throughout 2005/06 and have been reviewed during the year with a view to establishing their effectiveness and improving their robustness.

Senior Management risk-management reviews, during which we identified our objectives and risks and determined a control strategy for each of the significant risks, continue on a six monthly cycle. The work of the review group continued to be strengthened during the year by the inclusion of the Chairman of the Audit Committee. Further risk management has been incorporated more fully into our corporate planning and decision-making process.

In addition to the actions mentioned above, in the coming year we plan to continue:

- Reviewing the system of key performance and risk indicators.
- Maintaining the organisation-wide risk register.
- Reviewing reports from the Internal Auditors on internal control activities and updating/implementing change as appropriate.

The Audit Committee receives periodic reports from the Internal Auditors concerning internal control, and these are reported to the Board. We also require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects.

Best Value continues to be a focus in all areas of work within **sportscotland** and the continued communication of this principle supports all staff in its delivery.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area.

sportscotland's Freedom of Information systems are fully operational and all staff are trained and prepared for the requests that have ensued since the commencement on 1 January 2005. All Freedom of Information requests received to date have been completed within the statutory timescales.

Following the announcement of the Efficient Government Review, **sportscotland** submitted proposals which were acceptable to Ministers. These proposals related to efficiencies to be achieved as the integration process within the business is implemented. **sportscotland** continues to work towards efficient government goals.

sportscotland utilise a professional firm of accountants, PricewaterhouseCoopers LLP, as our internal auditors, who operate to standards defined in the *Government Internal Audit Manual*. They submit regular reports, which include an independent opinion on the adequacy and effectiveness of **sportscotland** systems of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and of the executive managers within **sportscotland** who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors, KPMG LLP and Audit Scotland, in their management letters and other reports.

A handwritten signature in black ink, appearing to read 'S Harris', written over a horizontal line.

S Harris
Chief Executive
31 July 2006

Independent auditor's report to the members of the Scottish Sports Council Lottery Fund, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of the Scottish Sports Council Lottery Fund for the year ended 31 March 2006 under the National Lottery etc Act 1993. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the Scottish Sports Council Lottery Fund and to the Auditor General for Scotland in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, this report is also made to the Scottish Parliament, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Sports Council Lottery Fund and the Auditor General for Scotland, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Scottish Sports Council, the Chief Executive and auditors

The Council and the Chief Executive are responsible for preparing the annual report and the financial statements in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of the Scottish Sports Council and Chief Executive's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers. We also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. We also report if, in our opinion, the Report of the Council is not consistent with the financial statements, if the body 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 relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control reflects the body's compliance with the Scottish Executive's guidance. We report if, in our opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Council. 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 audit opinions

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Scottish Sports Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers, of the state of affairs of the body as at 31 March 2006 and of its surplus, total recognised gains and losses and cash flows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers.

Regularity

In our opinion in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Emphasis of matter – uncertainty over the value of the National Lottery Distribution Fund investment

In forming our opinion, we have considered the adequacy of the disclosures made in note 1.4 to the financial statements concerning the uncertainty over the value of the National Lottery Distribution Fund investment at 31 March 2006. In view of the significant of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.



KPMG LLP
Chartered Accountants
Registered Auditor

Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

sportscotland
National Lottery Fund

**Income and expenditure account
for the year ended 31 March 2006**

| | Notes | 2006 £000 | 2006 £000 | 2005 £000 | 2005 £000 |
|--|-------|--------------|---------------|--------------|---------------|
| Income | | | | | |
| National Lottery Fund proceeds | 2.1 | | 21,245 | | 20,937 |
| Sportscotland | | | 0 | | 0 |
| Interest receivable | | | 140 | | 99 |
| Other operating income | 2.2 | | 170 | | 36 |
| | | | <u>21,555</u> | | <u>21,072</u> |
| Expenditure | | | | | |
| Grants paid and committed during the year | 3.1 | | 5,243 | | 4,481 |
| Net grant commitments | 3.3 | | 6,318 | | 5,958 |
| Staff costs: direct | 4 | 2,006 | | 1,831 | |
| indirect | 4 | <u>0</u> | 2,006 | <u>0</u> | 1,831 |
| Depreciation | 5 & 7 | | 41 | | 66 |
| Other operating charges: direct | 5 | 1,456 | | 1,267 | |
| indirect | 5 | <u>0</u> | | <u>0</u> | |
| | | | <u>1,456</u> | | <u>1,267</u> |
| | | | <u>15,064</u> | | <u>13,603</u> |
| Operating surplus before tax | | | 6,491 | | 7,469 |
| Notional costs | | | 59 | | 60 |
| Other finance costs | 15 | | 6 | | 5 |
| Corporation tax | 6 | | <u>(24)</u> | | <u>(19)</u> |
| Increase in fund | | | <u>6,532</u> | | <u>7,515</u> |

All the results of the Fund relate to continuing activities

**Statement of total recognised gains and losses
for the year ended 31 March 2006**

| | | |
|-----------------------------|--------------|--------------|
| Increase in fund | 6,532 | 7,515 |
| Revaluation of fixed assets | <u>0</u> | <u>0</u> |
| Pension Fund Actuarial Gain | <u>142</u> | <u>147</u> |
| Total Increase in funds | <u>6,674</u> | <u>7,662</u> |

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sportscotland
Lottery Fund
Balance sheet at 31 March 2006

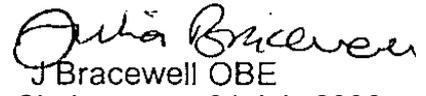
| | Notes | 2006 £000 | 2006 £000 | 2005 £000 |
|---|-------|--------------|--------------|--------------|
| Fixed assets | | | | |
| Tangible assets | 7 | | 157 | 109 |
| Current assets | | | | |
| Investments – balance held in NLDF | 8 | | 54,713 | 56,992 |
| Debtors | 9 | | 20 | 50 |
| Bank and cash-in-hand | | | 4,011 | 3,129 |
| | | | 58,744 | 60,171 |
| Creditors: amounts falling due within one year | 10 | | 22,979 | 20,740 |
| Net current assets | | | 35,765 | 39,431 |
| Pension Provision | 11 | | 73 | 73 |
| Net assets excluding pension liability | | | 35,849 | 39,467 |
| Pension asset/(liability) | 15 | | 25 | (125) |
| Net assets including pension liability | | | 35,874 | 39,342 |
| Represented by | | | | |
| Revaluation reserve | 14 | | 13 | 13 |
| Provisions | 11 | | 3,124 | 13,266 |
| General fund excluding pension reserve | 12 | 32,712 | | 26,188 |
| Pension reserve | 15 | 25 | | (125) |
| General fund including pension reserve | 12 | | 32,737 | 26,063 |
| | | | 35,874 | 39,342 |

The notes on pages 17 to 33 form part of these accounts



S Harris
Chief Executive

31 July 2006



J Bracewell OBE
Chair

31 July 2006

sportscotland
Lottery Fund

Cash flow statement for the year ended 31 March 2006

| | Notes | 2006 £000 | 2005 £000 |
|---|-------|--------------|--------------|
| Net cash inflow from operating activities | (a) | 868 | 2,657 |
| Returns on investments and servicing of finance | (b) | 140 | 99 |
| Taxation | (b)/6 | (19) | (12) |
| Capital expenditure and financial investment | (b)/7 | <u>(107)</u> | <u>(41)</u> |
| Increase in cash during the year | (c) | <u>882</u> | <u>2,703</u> |

(a) Reconciliation of operating deficit to net cash outflow from operating activities

| | 2006 £000 | 2005 £000 |
|---|-----------------|----------------|
| Operating surplus after taxation and interest | 6,532 | 7,515 |
| Add: taxation charge | 24 | 19 |
| Other Finance Costs | (8) | (49) |
| Less: bank interest receivable | <u>(140)</u> | <u>(99)</u> |
| Operating surplus | 6,408 | 7,386 |
| Depreciation charges | 41 | 66 |
| Revaluation write off | 16 | 10 |
| Loss on disposal | 0 | 0 |
| Decrease in investments | 2,279 | 8,040 |
| Decrease in debtors | 30 | 25 |
| Increase (Decrease) in creditors | 2,234 | (8,351) |
| Decrease in provisions for hard commitments | <u>(10,140)</u> | <u>(4,519)</u> |
| Net cash outflow from operating activities | <u>868</u> | <u>2,657</u> |

The notes on pages 17 to 33 form part of these accounts

(b) Gross cash flows

| | 2006 £000 | 2005 £000 |
|--|---------------------|---------------------|
| Returns on investments and servicing of finance | | |
| Interest received | 140 | 99 |
| Taxation | | |
| Corporation tax paid | 18 | 12 |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | 107 | 41 |
| Proceeds from disposal of fixed assets | 0 | 0 |
| | <u>107</u> | <u>41</u> |

(c) Analysis of changes in cash during the year

| | 2006 £000 | 2005 £000 |
|-----------------------------------|---------------------|---------------------|
| Cash and bank balance at 1 April | 3,129 | 426 |
| Net cash inflow | <u>882</u> | <u>2,703</u> |
| Cash and bank balance at 31 March | <u>4,011</u> | <u>3,129</u> |

sportscotland
Lottery Fund

**Reconciliation of movement of funds
for the year ended 31 March 2006**

| | Balances held in NLDF £000 | Balances at SLF £000 | 2006 Total £000 | 2005 Total £000 |
|----------------------------------|---|---|--------------------------------|--------------------------------|
| Opening balances | 56,992 | (30,804) | 26,188 | 18,722 |
| National Lottery Fund proceeds | 21,245 | 0 | 21,245 | 20,937 |
| Drawn down in year by SLF | (23,524) | 23,524 | 0 | 0 |
| Interest on cash balances | 0 | 140 | 140 | 99 |
| Income from sportscotland | 0 | 0 | 0 | 0 |
| Other operating income | 0 | 170 | 170 | 36 |
| Grants paid | 0 | (5,243) | (5,243) | (4,481) |
| Net grant commitment | 0 | (6,318) | (6,318) | (5,958) |
| Expenditure | 0 | (3,470) | (3,470) | (3,167) |
| | <u>54,713</u> | <u>(22,001)</u> | <u>32,712</u> | <u>26,188</u> |

sportscotland

Lottery Fund

Notes to the accounts for the year ended 31 March 2006

1 Accounting policies

1.1 Basis of accounting

These financial statements are prepared under the historical cost convention as modified by the revaluation of fixed assets. The financial statements have been prepared in accordance with applicable accounting standards, the Companies Act 1985, the National Lottery etc Act 1993, in so far as they relate to the **sportscotland** Lottery Fund, and the requirements of the Accounts Direction issued by Scottish Ministers.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

As required by Scottish Ministers, the **sportscotland** Lottery Fund is not required to include a note showing historical cost profits and losses as described by FRS 3 "Reporting Financial Performance.

Comparative figures shown are for the year to 31 March 2005.

Going Concern

The financial statements are prepared on the going concern basis which provides that the organisation will continue in operational existence for the foreseeable future.

1.2 Accruals convention

All income and expenditure is taken into account in the financial year to which it relates.

As required by the Scottish Ministers, a distinction is made in respect of the **sportscotland** Lottery Fund awards between hard and soft commitments.

Hard commitments

A hard commitment is analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Lottery grant provided only that all the conditions of the grant are met, and that the National lottery continues to operate. For the purposes of recording a charge in the Income and Expenditure Account, a hard commitment arises when a firm offer of a grant from the National Lottery proceeds has been made by **sportscotland** and accepted in writing by the recipient. A firm offer will only be made if there is a

reasonable expectation that conditions attached to the offer will be met. A provision for hard grant commitments is shown on the Balance Sheet and is written down as the commitment matures.

Soft Commitments

These will occur when there is agreement in principle by **sportscotland** to fund a scheme. Once a formal offer and acceptance of the terms and conditions of the grant have been concluded will this become a hard commitment. The total of soft commitments are shown in a note to the Balance Sheet. Changes in soft to hard commitments which arise after the accounting year end and before the publication of the Accounts will not be adjusting events in terms of FRS21 "Events after the balance sheet date".

De-commitments

Should a hard commitment fail to become a cash payment within the expected timeframe, and there is little possibility of it crystallising, **sportscotland** may withdraw the offer formally in writing. A reverse entry to the commitment is then made in the Income and Expenditure Account.

1.3 Tangible fixed assets and depreciation

Fixed assets are valued by reference to their current replacement costs. The basis of this revaluation is through indices found in *Price Index Numbers for Current Cost Accounting* published by the Office for National Statistics at 31 December 2005. Any type of asset purchased with a value of £500 or more is capitalised. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the revalued amount, less estimated residual value of each asset evenly over its expected useful life, as follows:

| | |
|--------------------|---------|
| Fixtures | 5 years |
| Equipment | 4 years |
| Computer equipment | 4 years |

Prior to 31 March 2004 fixtures and fittings and equipment had estimated useful lives of 10 and 7 years respectively.

The accounting treatment of indexation is based on the reason for the change in value. Where management believes this reason to be the consumption of economic benefits, the effect of the indexation charge is accounted for in the Income and Expenditure Account. Increases and decreases in the value of fixed assets due to market fluctuations are accounted for through the statement of total recognised gains and losses in the revaluation reserve.

Depreciation is only provided for in the year of acquisition if the asset is purchased prior to 30 September. No depreciation is provided in the year in which an asset is disposed.

1.4 National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to the **sportscotland**

Lottery Fund is as shown in the accounts and, at the balance sheet date, has been certified on an interim basis by the Secretary of State for National Heritage as being available for distribution by the body in respect of current and future commitments. This balance is shown as an investment on the balance sheet and is stated at the lower of cost or market value. The balance in the accounts is based on an Interim Statement of balance produced by DCMS which is subject to completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2005/06 by the National Lottery Commission and the completion of the audit of the National Lottery Distribution Fund accounts for 2005/06 by the National Audit Office with an adjustment for the final balance being reflected in subsequent financial statements.

The annual proceeds available from the National Lottery Distribution Fund have been treated as income within these financial statements.

1.5 Taxation

Taxation has been provided for by the **sportscotland** Lottery Fund. The Fund is liable to corporation tax on the bank interest received. The small companies rate of corporation tax applies to the taxable profits.

1.6 Post retirement benefits

All members of staff have the option of joining the Strathclyde pension Fund (SPF). Existing employees are entitled to maintain their membership of the Scottish Teachers Superannuation Scheme (the STSS).

STSS

The **sportscotland** Lottery Fund participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of **sportscotland**. The **sportscotland** Lottery Fund is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

SPF

The SPF is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the **sportscotland** Lottery Fund. 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 bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of recognised gains and losses, actuarial gains and losses.

1.7 Leases

Rentals paid under operating leases are charged to the income and expenditure account in the year to which the invoice relates.

1.8 Notional costs

In line with HM Treasury Fees and Charges Guide the **sportscotland** Lottery Fund includes notional costs for cost of capital.

As the financing structure of **sportscotland** does not include specific interest bearing debt, and to ensure that the income and expenditure account bears an appropriate charge for the use of capital in the year, a notional interest charge of 3.5% is included. This charge is based only upon the **sportscotland** Lottery Fund's own capital.

2 Income

2.1 Proceeds from the National Lottery

The proceeds from the National Lottery represents the share of net operator proceeds and investment returns allocated to the **sportscotland** Lottery Fund during the year.

2.2 Other operating income comprises:

| | 2006 £000 | 2005 £000 |
|----------------------|---------------------|---------------------|
| Repayment of grant | 163 | 23 |
| Miscellaneous income | 7 | 13 |
| | <hr/> 170 | <hr/> 36 |

3 Grants paid and net grant commitment

| | 2006 | 2005 |
|---|-------------|-------------|
| | £000 | £000 |
| 3.1 Annual grants paid and committed during the year | | |
| Capital and Revenue | 5,243 | 4,481 |
| | <hr/> | <hr/> |
| | 2006 | 2005 |
| | £000 | £000 |
| 3.2 Grants paid during year | | |
| Paid and committed during year | 5,243 | 4,481 |
| Committed in previous years | 14,103 | 18,792 |
| | <hr/> | <hr/> |
| | 19,346 | 23,273 |
| | <hr/> | <hr/> |
| | 2006 | 2005 |
| | £000 | £000 |
| 3.3 Net grant commitments | | |
| Hard commitments made during year | 13,354 | 13,632 |
| Less: amounts paid and committed during year | (5,243) | (4,481) |
| Less: amounts de-committed during year | (1,793) | (3,193) |
| Net grant commitment at 31 March | <hr/> | <hr/> |
| | 6,318 | 5,958 |
| | <hr/> | <hr/> |
| | 2006 | 2005 |
| | £000 | £000 |
| 3.4 Net grant commitments split | | |
| Capital programmes | 5,544 | 3,484 |
| Revenue | 774 | 2,474 |
| | <hr/> | <hr/> |
| | 6,318 | 5,958 |
| | <hr/> | <hr/> |
| | 2006 | 2005 |
| | £000 | £000 |
| 3.5 Grants paid during the year by programme | | |
| 3.5.1 Capital Facilities | | |
| National | 187 | 60 |
| Regional | 180 | 0 |
| Local | 54 | 269 |
| Swimming Pools | 2,064 | 356 |
| Safety at Sports Grounds | 0 | 30 |
| Football Academies | 219 | 286 |
| Community Facilities | 757 | 9 |
| Sports Facilities Programme | 3,205 | 9,879 |
| | <hr/> | <hr/> |
| | 6,666 | 10,889 |
| | <hr/> | <hr/> |

| | 2006 £000 | 2005 £000 |
|--|---------------------|---------------------|
| 3.5.2 Revenue Funding | | |
| Talented Athletes (Athlete Support) | 2,441 | 2,151 |
| Commonwealth Games | 60 | 0 |
| Enhancement Funding | | |
| Major Events | 20 | 105 |
| UK WCPP | 0 | 458 |
| SIP & Community Regeneration | 840 | 710 |
| Junior Groups | 68 | 661 |
| Awards for All | 1,077 | 980 |
| National Coach Support | 632 | 1,029 |
| Coach Development | 783 | 144 |
| School Sports Co-ordinators | 0 | 0 |
| TOP Programme | 253 | 513 |
| Organisational Development | 232 | 165 |
| Volunteer Development | 63 | 40 |
| Coaching | 210 | 43 |
| Player Improvement | 647 | 436 |
| Club Development | 156 | 242 |
| Scottish Institute & Area Institutes | 5,198 | 4,707 |
| | <u>12,680</u> | <u>12,384</u> |
| Total grants paid during the year | <u>19,346</u> | <u>23,273</u> |

4 Employees

| | 2006 £000 | 2005 £000 |
|--|---------------------|---------------------|
| 4.1 Total staff costs comprise: | | |
| Wages and salaries | 1,649 | 1,532 |
| Social security costs | 130 | 128 |
| Other pension costs | 227 | 171 |
| Aggregate staff costs | <u>2,006</u> | <u>1,831</u> |

All employment contracts are within **sportscotland** and the relevant amounts charged to Lottery. During the year 2004/05, Lottery employment costs became part of the **sportscotland** integrated budget process, which aligns all relevant costs to the overall **sportscotland** corporate objectives.

| | 2006 | 2005 |
|---|-------------|-------------|
| 4.2 The average monthly number of employees during the year was: | <u>61</u> | <u>56</u> |

4.3 The salary and pension entitlements of the most senior members of the **sportscotland** Lottery Fund are as follows:

| Name | | Salary £000's | Benefits £000's | Pension Increase at 60 £000's | Total Accrued Pension at 60 £000's |
|---------------|------|------------------|--------------------|--|---|
| I Taylor | 2006 | 12 | - | - | - |
| | 2005 | 36 | 8 | - | - |
| I D Robertson | 2006 | 58 | - | 1 | 10 |
| | 2005 | 57 | - | 1 | 9 |
| S G Harris | 2006 | 72 | - | 5 | 13 |
| | 2005 | 49 | - | 1 | 8 |
| C Pearson | 2006 | 47 | 1 | 1 | 10 |
| | 2005 | 46 | 1 | 1 | 9 |
| S Paulding | 2006 | 42 | 1 | 1 | 1 |
| | 2005 | 26 | - | - | - |
| J Bracewell | 2006 | 21 | - | None Payable | |

All salaries shown are the full cost (100%) to the **sportscotland** group. All salaries are split between the **sportscotland** Lottery Fund and **sportscotland** through a quarterly process that assesses every employee and their split of work between the two companies. The split for the **sportscotland** Lottery Fund during 2005/06 was 46% (2004/05 43%) with the balance, 54% (2004/05 57%), going to **sportscotland**.

Benefits in kind relate to the provision of a car for which individual employees are required to make a contribution to cover the cost of personal use.

I Taylor resigned as Chief Executive on 6 May 2005 and S G Harris started as Chief Executive on 21 November 2005.

M Murray was appointed to the post of Acting Widening Opportunities Director on 27 May 2005.

The Chair, Julia Bracewell, is remunerated through **sportscotland** and no recharges to the **sportscotland** Lottery Fund take place therein.

Council members are not remunerated.

The Lottery operates a car leasing scheme for essential users. Payments made during 2005/06 were £74k (2004/05 £53k).

Cash Equivalent Transfer Values (CETV) have not been possible to attain from SPPA for senior members of staff and are therefore not disclosed.

5 Other operating charges

The operating result is after charging:

| | 2006 | 2005 |
|-----------------------------------|-------------|-------------|
| | £000 | £000 |
| Administration expenses | 1,207 | 1,034 |
| Travel and subsistence | 72 | 73 |
| Auditors' remuneration – External | 19 | 18 |
| Internal | 10 | 6 |
| Operating rentals | 74 | 66 |
| Loss on disposal of assets | 0 | 0 |
| Revaluation write off | 15 | 10 |
| Notional costs | 59 | 60 |
| Depreciation | 41 | 66 |
| | 1,497 | 1,333 |

During the year 2003/04, Lottery administration costs became part of the **sportscotland** integrated budget process, which aligns all relevant costs to the overall **sportscotland** corporate objectives.

6 Corporation tax

| | 2006 | 2005 |
|---------------------|-------------|-------------|
| | £000 | £000 |
| Corporation tax | 24 | 18 |
| Under tax provision | 0 | 1 |
| | 24 | 19 |

7 Tangible fixed assets

| | Total | Fixtures | Equip- |
|---|--------------|-----------------|---------------|
| | £000 | and | ment |
| | | Fittings | £000 |
| | | £000 | |
| Cost at 1 April 2005 | 322 | 95 | 227 |
| Revaluation at 31 March 2006 | (22) | 0 | (22) |
| Additions to 31 March 2006 | 107 | 0 | 107 |
| Disposals to 31 March 2006 | (10) | 0 | (10) |
| Cost at 31 March 2006 | 397 | 95 | 302 |
| Aggregate depreciation at 1 April 2005 | 216 | 95 | 121 |
| Revalued aggr depr at 31 March 2006 | (7) | 0 | (7) |
| Charge for the year | 41 | 0 | 41 |
| Disposals to 31 March 2006 | (10) | 0 | (10) |
| Aggregate depreciation at 31 March 2006 | 240 | 95 | 145 |
| Net Book Value at 31 March 2006 | 157 | 0 | 157 |
| Net Book Value at 31 March 2005 | 106 | 0 | 106 |

8 Investments

| | 2006 £000 | 2005 £000 |
|------------------------------------|---------------------|---------------------|
| National Lottery Distribution Fund | <u>54,713</u> | <u>56,992</u> |

As at 31 March 2006 the fund has been shown at market value. If it had been included at cost value, based on an interim valuation from the NLDF, the figure would have been £55,086k. The previous years final audited balance is still unavailable.

The balances are based on the distribution of National Lottery Funds set out in the National Lottery Act 1998.

9 Debtors

| | 2006 £000 | 2005 £000 |
|--------------------------------|---------------------|---------------------|
| Trade debtors | 6 | 2 |
| Other debtors | 0 | 0 |
| Prepayments and accrued income | 14 | 48 |
| | <u>20</u> | <u>50</u> |

10 Creditors: amounts falling due within one year

| | 2006 £000 | 2005 £000 |
|--|---------------------|---------------------|
| Trade creditors | 0 | 53 |
| Corporation tax | 24 | 19 |
| Hard commitments payable within one year | 22,800 | 20,451 |
| Other creditors | 52 | 73 |
| Accruals and deferred income | 103 | 144 |
| | <u>22,979</u> | <u>20,740</u> |

11 Provisions

| | 2006 £000 | 2006 £000 | 2005 £000 |
|--|---------------------|---------------------|---------------------|
| Capital | | | |
| Balance as at 1 April | | 17,592 | 24,988 |
| Amounts committed during the year | | <u>5,911</u> | <u>5,379</u> |
| Total hard commitments | | 23,503 | 30,367 |
| Amounts paid during the year | 6,431 | | |
| Amounts paid and committed during the year | 235 | | |
| Amounts de-committed during the year | <u>133</u> | <u>6,799</u> | <u>12,775</u> |
| Hard capital commitments at 31 March | | <u>16,704</u> | <u>17,592</u> |

| | 2006 £000 | 2006 £000 | 2005 £000 |
|--|---------------------|---------------------|---------------------|
| Revenue | | | |
| Balance as at 1 April | | 16,205 | 21,643 |
| Amounts committed during the year | | 7,442 | 8,252 |
| Total hard commitments | | <u>23,647</u> | <u>29,895</u> |
| Amounts paid during the year | 7,672 | | |
| Amounts paid and committed during the year | 5,008 | | |
| Amounts de-committed during the year | <u>1,659</u> | | |
| | | <u>14,339</u> | <u>13,690</u> |
| Hard revenue commitments at 31 March | | <u>9,308</u> | <u>16,205</u> |
| Total hard commitments at 31 March | | <u>26,012</u> | <u>33,797</u> |

At 31 March 2006 a total of £22,800k (2004/05 £20,451k) is payable within one year and disclosed in Note 10. This is after charging £6k for the retirement provision below. A further £3,124k (2004/05 £13,266k) is payable within two to five years and shown on the face of the accounts under Provisions.

Pension Provision

A provision was created in 2001/02 for the early retirement of a member of staff. This is based on the annual value of payments incurred by **sportscotland** Lottery Fund and an estimate of life expectancy based on the national average.

| | 2006 £000 | 2005 £000 |
|---------------------------------------|---------------------|---------------------|
| Opening balance at 1 April | 73 | 79 |
| Additional provisions during the year | 0 | 0 |
| Utilised during the year | 0 | (6) |
| Closing balance at 31 March | <u>73</u> | <u>73</u> |

12 Income and Expenditure Account

| | 2006 £000 | 2005 £000 |
|---|---------------------|---------------------|
| Represented by: | | |
| Balance as at 1 April | 26,063 | 18,401 |
| Change in fund for the year | 6,532 | 7,515 |
| Transfer to income & expenditure – pension scheme | (8) | (49) |
| Pension reserve movement | 150 | 196 |
| Balance as at 31 March | <u>32,737</u> | <u>26,063</u> |

13 Soft capital commitments

| | 2006 £000 | 2006 £000 | 2005 £000 |
|---|--------------|--------------|--------------|
| Balance as at 1 April | | 953 | 2,925 |
| Amounts committed during the year | | 5,124 | 3,380 |
| Total soft commitments | | 6,077 | 6,305 |
| Amounts transferred to hard commitments | 5,677 | | |
| Amount de-committed during the year | 200 | | |
| | | 5,877 | 5,352 |
| Soft commitments at 31 March | | 200 | 953 |

14 Revaluation reserve

| | 2006 £000 | 2005 £000 |
|--|--------------|--------------|
| Balance as at 1 April | 13 | 13 |
| Revaluation movement on cost at 31 March | 0 | 0 |
| Revaluation movement on depreciation at 31 March | 0 | 0 |
| Revaluation reserve balance as at 31 March | 13 | 13 |

15 Pension and similar obligations

All members of staff have the option of joining the Strathclyde Pension Fund (SPF). Existing employees are entitled to maintain their membership of the Scottish Teachers Superannuation Scheme (STSS). Both schemes are defined benefit schemes and **sportscotland** contributes 250% and 208% (2004/05 240% and 208%) of employee contributions to the respective schemes. The charge in the financial statements reflects the costs incurred by **sportscotland** during the year for the STSS £6k (2004/05 £3k) and SPF £221k (2004/05 £171k).

The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The latest actuarial valuation of the SPF scheme was at 31 March 2006. The STSS was last valued at 31 March 1996.

All employment contracts are within **sportscotland** and the relevant amounts charged to Lottery. During the year 2004/05 Lottery employment costs became part of the **sportscotland** integrated budget process which aligns all relevant costs to the overall **sportscotland** corporate objectives.

The split for the **sportscotland** Lottery Fund during 2005/06 was 43% (2004/05 43%) with the balance, 57% (2004/05 57%), going to **sportscotland**.

Due to the process above the SPF calculation now takes **sportscotland** and the **sportscotland** Lottery Fund as one entity for the purposes of FRS17. Therefore the % split above has been utilised to account for the opening balances and all subsequent pension movements within the Lottery accounts. However, to show the full value of the fund at 31 March 2006, the full assets and liabilities are shown in this note. Correspondingly, the **sportscotland** Group accounts will hold 57% (2004/05 57%) of the pension opening balances and subsequent pension movements, but again will show the full assets/liabilities of the fund.

The Scottish Teachers Superannuation Scheme

The STSS operates on a notionally funded basis. It is a multi – employer scheme and it is not possible to identify each institution’s share of the notional assets and liabilities. Therefore, contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the results for the year is the contribution payable to the scheme for that year.

| | |
|---|-------------|
| | STSS |
| Rate of return of investments in excess of the rate of increase in salaries | 2% |
| Rate of return on investments in excess of above rate | 1.5% |
| Market value of the notional fund at the date of the last valuation | £4,370m |
| Deficiency on the fund | £230m |

The actuarial valuation of the STSS indicates a notional deficiency of £40m which requires a supplementary provision by employers of 0.75% per annum for a period of 40 years. However, the auditors of the scheme stated that they were unable to form a view on the accuracy of the liabilities included within those accounts.

The Strathclyde Pension Fund (SPF)

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2006 by a qualified independent actuary. The major assumptions used by the actuary were:

| | 31 March 2006 | 31 March 2005 | 31 March 2043 |
|---|--------------------------|--------------------------|--------------------------|
| Rate of increase in salaries | 4.6% | 4.4% | 4.4% |
| Rate of increase in pensions in payment and deferred pensions | 3.1% | 2.9% | 2.9% |
| Discount rate applied to scheme liabilities | 6.0% | 6.5% | 6.5% |
| Inflation assumption | 3.1% | 2.9% | 2.9% |

Scheme assets

The assets in the scheme and the expected rate of return were:

| | Long term rate of return 31 March 2006 | Value at 31 March 2006 | Long term rate of return 31 March 2005 | Value at 31 March 2005 | Long term rate of return 31 March 2004 | Value at 31 March 2004 |
|--|--|---------------------------------|---|---------------------------------|--|---------------------------------|
| | | £000 | | £000 | | £000 |
| Equities | 7.4% | 11,648 | 7.7% | 8,331 | 7.7% | 7,037 |
| Government securities | 4.6% | 1,573 | 4.8% | 1,507 | 5.1% | 1,371 |
| Property | 5.5% | 1,392 | 5.7% | 1,080 | 6.5% | 821 |
| Cash | 4.6% | 706 | 4.8% | 358 | 4.0% | 401 |
| Total | 6.8% | 15,319 | 7.0% | 11,277 | 7.1% | 9,630 |
| Present value of scheme liabilities | | 15,261 | | 11,568 | | 10,377 |
| Surplus/(Deficit) in the scheme | | 58 | | (291) | | (747) |
| Related deferred tax asset | | 0 | | 0 | | 0 |
| Net pension asset/(liability) | | 58 | | (291) | | (747) |

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

| | 2006 | 2005 | 2004 |
|---|---------|------|-------|
| Actual return less expected return on scheme assets | 2,389 | 372 | 1,356 |
| Experience gains and losses arising on scheme liabilities | (43) | (29) | 49 |
| Changes in assumptions underlying the present value of scheme liabilities | (2,015) | - | - |
| Actuarial gain/(loss) recognised in statement of total recognised gains and losses | 331 | 343 | 1,405 |

Analysis of amount charged to operating deficit

| | 2006 | 2005 |
|--|-------------|-------------|
| | £000 | £000 |
| Current service cost | 557 | 458 |
| Past service cost | - | - |
| Previously unrecognised surplus deducted from past service cost | - | - |
| Gains/(losses) on settlements or curtailments | - | - |
| Previously unrecognised surplus deducted from the settlement or curtailment losses | - | - |

Analysis of amounts included in other finance income/costs

| | 2006 | 2005 |
|--|--------------|--------------|
| | £000 | £000 |
| Expected return on pension scheme assets | 833 | 701 |
| Interest on pension scheme liabilities | <u>(820)</u> | <u>(690)</u> |
| Net Return | 13 | 11 |

Movement in surplus/(deficit) during the year

| | 2006 | 2005 |
|--|-------------|--------------|
| | £000 | £000 |
| (Deficit) in scheme at beginning of year | (291) | (747) |
| Current service cost | (557) | (458) |
| Contributions paid | 562 | 560 |
| Past service cost | - | - |
| Other finance income/cost | - | - |
| Net Return on Assets | 13 | 11 |
| Actuarial gain/(loss) | 331 | 343 |
| (Deficit) in the scheme at end of year | <u>58</u> | <u>(291)</u> |

History of experience gains and losses

| | Value at 31 March 2006 | Value at 31 March 2005 | Value at 31 March 2004 | Value at 31 March 2003 |
|---|---|---------------------------------------|---------------------------------------|---------------------------------------|
| | £000 | £000 | £000 | £000 |
| Difference between the expected and actual return on assets | 2,389 | 372 | 1,356 | (2,430) |
| Value of assets | 15,319 | 11,277 | 9,630 | 7,160 |
| Percentage of assets | 15.6% | 3.3% | 14.1% | (33.9)% |
| Experience gains/(losses) on liabilities | (43) | (29) | 49 | (103) |
| Total present value of liabilities | 15,261 | 11,568 | 10,377 | 9,341 |
| Percentage of the total present value of liabilities | (0.3)% | (0.3)% | 0.5% | (1.1)% |
| Actuarial gains/losses recognised in STRGL | 331 | 343 | 1,405 | (2,533) |
| Total present value of liabilities | 15,261 | 11,568 | 10,377 | 9,341 |
| Percentage of the total present value of liabilities | 2.2% | 3.0% | 13.5% | (27.1)% |

16 Amounts committed in respect of National Lottery grants

At 31 March 2006 the **sportscotland** Lottery Fund has commitments totalling £16,704k (2004/05 £17,592k) for capital grants.

Conditional on funds being made available by the NLDF there were commitments to pay grants to various bodies and organisations in respect of

expenditure on facilities of £5,911k (2004/05 £5,379k). During the year to 31 March 2006, there are further commitments of £200k (2004/05 £952k) for capital awards where offers have been made but which are subject to acceptance of the relevant conditions.

17 Related party transactions

The **sportscotland** Lottery Fund is administered by **sportscotland**.

sportscotland is regarded as a related party.

During the year the **sportscotland** Lottery Fund had a number of material transactions with **sportscotland**.

All committee members of the **sportscotland** Lottery Fund are members of **sportscotland** and Directors of the **sportscotland** Trust Company.

During the year both the Accountable Officer and Chairman of the **sportscotland** Lottery Fund Committee received remuneration from **sportscotland**.

The **sportscotland** Lottery Fund paid grants to the following bodies which are related parties:

| | £000 |
|-----------------------------|-------|
| Awards for All | 1,077 |
| Scottish Institute of Sport | 4,113 |

Members of Council and Lottery committees have a declared interest in the grant awards listed below. The amounts represent both hard and soft commitments:

| | £000 |
|---|------|
| T R Campbell – Dunfermline Tennis & Bridge Club | 37 |
| I.Mason – Scottish Swimming | 207 |
| Perth & Kinross Council | 229 |
| S Grimmond – Fife Council | 43 |
| A J Jones – The Highland Council | 419 |
| Aberdeen City Council | 32 |
| Basketball Scotland | 100 |
| Bearsden Ski Club | 164 |

The **sportscotland** members and their associated organisations during the year to 31 March 2006 are detailed below:

| | |
|------------|--|
| A Dempster | St Andrews Link Trust |
| | Scottish Football Partnership |
| | UK Sport |
| | Commonwealth Games (Scotland) Endowment Fund |
| | Scottish Institute of Sport |
| | Scottish Physical Recreation Fund |

| | |
|--------------------|---|
| J Bracewell OBE | Scottish Football Partnership Scottish Institute of Sport UK Sport Commonwealth Games (Scotland) Endowment Fund Scottish Physical Recreation Fund |
| T R Campbell | European Badminton Union British Badminton Olympic Committee British Olympic Association Dunfermline Tennis & Bridge Club Scottish Physical Recreation Fund |
| I Mason | Scottish Swimming Perth & Kinross Council British Swimming High Performance Swimming Ltd |
| W-Y Hatton | Karate Union of Great Britain Ayrshire and Arran NHS Board Ayrshire Special Games Trust Kilmarnock College Ayrshire Chamber of Commerce |
| Dr L Leighton-Beck | Cults Otters ASC NHS Grampian |
| F Wishart | Scottish Professional Footballers Association Scottish Football Partnership |
| A J Jones | Caledonia Community Leisure Ltd The Highland Council Alan Jones Associates Aberdeen City Council Basketball Scotland Bearsden Ski Club |
| A Duncan | Watsonian Rugby Club Hibernian FC |
| S Grimmond | Fife Council |
| S Wright | Fair Pley Ltd Hitsport Ltd |
| L Martin CBE | Commonwealth Games Council for Scotland Commonwealth Games (Scotland) Endowment Fund UK Sport Scottish Sports Aid Foundation |
| K McAully | Angus Council |
| I Beattie | Scottish Athletics Ltd |

A list of individual awards made to governing bodies and amounts paid to individual sports is contained in the Annual Report.

18 Operating Leases

At 31 March 2006 the **sportscotland** Lottery Fund had annual commitments under non-cancellable operating leases for the following year as detailed below:

| | 2006 £000 | 2005 £000 |
|---------------------------------|---------------------|---------------------|
| Plant & Machinery | | |
| Expiry within one year | <u>0</u> | <u>0</u> |
| Expiry within two to five years | <u>0</u> | <u>0</u> |
| Other | | |
| Expiry within one year | <u>17</u> | <u>17</u> |
| Expiry within two to five years | <u>122</u> | <u>66</u> |

19 Losses

The **sportscotland** Lottery Fund had no write-offs during the year. Although the two awards under investigation at the 31 March 2004 balance sheet date remain unresolved, there has been significant movement in both cases.



SPORTSCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

- 1 The Scottish Ministers, in pursuance of Article 15 of The Royal Charter of the Scottish Sports Council (now trading as **sportscotland**), hereby give the following direction.
- 2 The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
- 3 The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
- 4 This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 12 March 2001 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006



SPORTSCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

- 1 The Scottish Ministers, in pursuance of Section 35 of Part II of the National Lottery etc. Act 1993, hereby give the following direction.
- 2 The statement of accounts which, it is the duty of **sportscotland** to prepare in respect of its **National Lottery distribution activities** for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
- 3 The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
- 4 Clarification of the additional disclosure requirements are set out in Schedule 1 attached.
- 5 The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - 5.1 Fixed assets at their value to the business by reference to current costs; and
 - 5.2 Stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
- 6 This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 12 March 2001 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006

SCHEDULE 1

ADDITIONAL DISCLOSURE REQUIREMENTS

1. This schedule details the non-standard accounting policies, any special treatment needed, and any additional disclosure requirements as agreed by the Scottish Ministers and **sportscotland**, in respect of its National Lottery Fund distribution activities.
2. The **Income and Expenditure Account** shall show inter alia:
 - a. the total amount of Lottery proceeds receivable;
 - b. any other income (detailed between bank interest, recoveries of grant and other income);
 - c. the total amount of new Lottery grants paid in the period (i.e. amounts paid in respect of projects which have been approved during the year);
 - d. the change in the provision for net grant commitments;
 - e. the total expenses incurred by the body in respect of its National Lottery distribution activities, separately identifying direct costs and costs initially incurred elsewhere in the organisation and apportioned to the National Lottery distribution activity. The calculation of the costs to **sportscotland**'s National Lottery activities will be on a full cost recovery basis and should cover all costs that are directly and demonstrably related to Lottery activities.
3. The **Balance Sheet** shall show, inter alia:
 - a. under the heading "Current assets": shown as an investment the balance held on behalf of the body at the National Lottery Distribution Fund;
 - b. under the heading "Represented by":
 - i) the provision for grants committed on a hard basis and falling due for payment after more than one year; (see note 6 below on commitments)
 - ii) the balance on the Income and Expenditure Account.
4. The **Notes to the Accounts** shall, inter alia, include:
 - a. a statement of the accounting policies. This must include a statement explaining the nature of the balances held on the body's behalf in the National Lottery Distribution Fund as follows:

"Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media & Sport. However, the share of these balances attributable to **sportscotland** is as shown in the Accounts and, at the Balance Sheet date has been certified by the Secretary of State for Culture, Media & Sport as being available for distribution by the body in respect of current and future commitments.";
 - b. an analysis of the income and expenditure relating to the Lottery;

- c. an analysis of the “other operating charges” over appropriate subject headings (write-offs, audit fee, leasing charges, travel, subsistence and hospitality (costs for staff and body members should be separately identified));
 - e. the amounts “committed in respect of capital expenditure for administrative purposes”, and “amounts authorised in respect of capital expenditure for administrative purposes but not contracted”;
 - f. the amounts committed in respect of National Lottery grants split between hard and soft commitments identifying the amount falling due (see note 5 below). Where these commitments exceed available resources shown on the Balance Sheet, there should also be a note explaining the rationale for the over-commitment in terms of the benchmark being applied and the assumptions behind it, taking into account any advice received from the Scottish Ministers as appropriate.
5. The nature of the Distributing Bodies' Lottery activities means that they will be making commitments for future expenditure which will need to be shown in the annual financial statements. Commitments should be categorised and shown as follows:

6. **Soft Commitments**

These will occur when there is agreement in principle by **sportscotland** to fund a scheme. Once a formal offer and acceptance of the terms and conditions of the grant has been concluded this will become a hard commitment. The total of soft commitments will be shown in a note to the Balance Sheet. Changes in soft to hard commitments which arise after the accounting year end and before publication of the Accounts will not be adjusting events in terms of FRS 21 (Events after the balance sheet date). A tabulation should accompany the Notes to the Accounts and show:

- i) Soft commitments brought forward;
- ii) Soft commitments transferred to hard commitments;
- iii) Soft de-commitments;
- iv) Soft commitments made;
- v) Balance of soft commitments outstanding carried forward.

a) **Hard Commitments**

A hard commitment is analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Lottery grant provided only that all the conditions of grant are met, and that the National Lottery continues to operate. For the purposes of recording a charge in the Income and Expenditure Account, a hard commitment arises when a firm offer of a grant from the National Lottery proceeds has been made by **sportscotland** and accepted in writing by the recipient. A firm offer will only be made if there is a reasonable expectation that conditions attached to the offer will be met. A provision for grant commitments should be shown on the Balance Sheet and would be written down as the commitments mature. As part of the notes to the Balance Sheet a tabulation illustrating the changes in hard commitments should be shown as follows:

- i) Hard commitments brought forward;

- ii) Hard commitments met in the last year;
- iii) Hard de-commitments (withdrawal of an offer);
- iv) Hard commitments made;
- v) Balance of hard commitments outstanding carried forward;
- vi) A breakdown of the provision for the grant commitments should be reported separately for each year up to and including 5 years and for over 5 years.

b) **De-commitments**

i) Soft Commitments

If a soft commitment fails to become hard for any reason and there is no prospect of a formal offer letter being issued and accepted then the soft commitment should be deleted from **sportscotland's** records. It will be shown in the table accompanying the notes to the Balance Sheet in the soft de-commitments line.

ii) Hard Commitments

Should a hard commitment fail to become a cash payment within the expected time frame, and there is little possibility of it crystallising, **sportscotland** may withdraw the offer formally in writing. A reverse entry to the commitment should then be made in the Income and Expenditure Account. The table in the Notes to the Accounts will correspondingly be reduced.

c) **Repayments**

The circumstances of a grant repayment are as described in the Statement of Financial Requirements. A repayment will not affect commitment unless the payment is part of a phased scheme for which commitments for later phases have been included in the Balance Sheet. A repayment will be reflected as an adjustment in the Income and Expenditure Account. If a repayment occurs after the year end but before the Accounts have been signed by **sportscotland's** Accountable Officer and is material (5% of the total grants paid in the year or £1m whichever ever is the lower,) it will be necessary to treat the repayment as an adjusting event in terms of FRS 21.



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