

**sportscotland**  
**National Lottery**  
**Distribution Fund**

Annual Report and Accounts  
for the year ended 31<sup>st</sup> March 2010

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**National Lottery**  
**Distribution Fund**

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**for the year ended 31<sup>st</sup> March 2010**

Presented to Parliament pursuant to Section 35  
of the National Lottery etc Act 1993

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This publication is also available on our website at [www.sportscotland.org.uk](http://www.sportscotland.org.uk)

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# **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**.

### **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.

### **Format of Accounts**

- 4 These accounts have been prepared in accordance with the accounts direction issued by the Scottish Minister.

## Members of the Council

5 The Members of the **sportscotland** Council at 31 March 2010, all of whom have been Members throughout the year, with the exception of those indicated otherwise, are listed below:

Louise Martin** CBE	(Chair)
Atholl Duncan	(Until December 2009)
Steven Grimmond	(Until December 2009)
Ian Beattie*	(Vice Chair)
Carolyn Dobson*	
Kim McAully*	
Graeme Marchbank*	
David Sole**	
Mike Hay MBE	
Sir Bill Gammell**	
Prof Grant Jarvie**	
Francis Thin	
Mel Young**	

\* Member of the Audit Committee

\*\* Member of the Remuneration Committee

The company directorships and other significant interest held by the Council members are listed within Note 17 - Related party transactions within the financial statements.

## Management commentary

### A) Review of business

6 The accounts relate to the year ended 31 March 2010 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.

7 During the year to 31 March 2010, £22,704K (2008/09 £16,515K) 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 £3,007k (2008/09 £3,531k).

8 As part of the quarterly reporting structure to the **sportscotland** Board, the Business Plan is reviewed which contains a number of Key Performance Indicators (KPI's). The Business Plan report is an integrated funding report on both **sportscotland** and Lottery funding. A selection of the year ended 31 March 2010 KPI's are as follows:-

8.1 Number of Pathways from school to wider community (clubs) links:

Term 1	2009/10	695	10% increase from 2008/09
Term 1	2008/09	632	

8.2 % Increase in participation of Girls and young women in physical activity and sport

Term 1	2009/10	92,347	13% increase from 2008/09
Term 1	2008/09	81,973	

8.3 Number of clubs and community organisations supported by investment:

Sportsmatch	2009/10	95 awards totalling £301,280
	2008/09	105 awards totalling £261,233
Awards For All	2009/10	166 awards totalling £ 950,000
	2008/09	185 awards totalling £1 million

8.4 3 National Regional Facilities completed during the year.

8.5 UKCC Level 1 Qualified Coaches:-

2009/10	3,098	9% increase from 2008/09
2008/09	2,845	

## **B) Future Developments**

- 9 In the 2010/11 business plan year, **sportscotland** is embarking on a significant strategic review, culminating in the development of the **sportscotland** corporate plan for 2011/15.
- 10 Whilst there will be some commitments that have already been made, for example in delivering Games legacy programmes, the review will be a comprehensive analysis of current and potential new activities and investments.
- 11 This will include consideration of the current organisational and sporting landscape and environmental factors such as pressures on public sector finance, to explore how **sportscotland** can have the greatest impact for individuals and Scotland as a nation.
- 12 Part of this review process will include seeking public views on how **sportscotland** should distribute lottery resources.

## **C) Lottery Funded Activities**

- 13 There were 14 successful applications for National Lottery funding under the integrated Sports Facility Fund. The awards were across a range of sports and communities including support for the refurbishment of an ice rink for curlers in Ayrshire, the replacement of a multi-sport community hall in Eassie, Nevay and Kirkinch in Angus, the re-development of Dundee's Olympia pool, the development of a climbing wall in the Highlands, the refurbishment of Cramond boat clubhouse near Edinburgh and the improvement of Crichton Golf Course in Dumfries and Galloway.
- 14 Lottery resources continued to support the finalisation of the National Regional Sports Facility Strategy, and in 2009/10, 3 more flagship facilities – Scotstoun in Glasgow, The Peak in Stirling and Aberdeen Sports Village, opened their doors to the public.
- 15 Lottery awards under school and community sport supported a range of community sport initiatives, including local authority programmes to increase youth volunteering and leadership in sport in some of the most deprived communities through the Community Regeneration programme to small grants under the Awards for All programme to support community sports clubs and organisations.

- 16 For the first time, significant levels of Scottish Government resources were invested in improving performance in Scottish sport through the mainstreaming of **sportscotland** institute of sport investment and significant investment in governing body performance staffing and programmes. National Lottery funding added value to Scottish Government resources in this area, primarily by providing athlete support investment for developing athletes across 34 different sports.
- 17 In support of the national outcome of well trained people, **sportscotland** supported the upskilling of significant numbers of coaches.
- 18 The roll out of the UK Coaching Certificate continued, 3,098 coaches achieved level 1, a further 602 achieved level 2, 32 achieved level 3 and the first level 4 coaching award was made.
- 19 Workshops were delivered to more than 3,000 coaches across Scotland including Safeguarding and Protecting children.
- 20 Through partnership working with Scottish Governing bodies, local authorities and other partners we have also supported them in effectively recruiting, upskilling and deploying coaches.
- 21 **sportscotland** continued to be active in developing and supporting partners including the organisational development of governing bodies and supporting their achievement of the Equity standard, child protection and anti-doping requirements.
- 22 Strategic discussions have taken place between our senior management and every local authority in Scotland, and we continued to work to influence the position of sport within single outcome agreements and wider local, regional and national strategies.

**D) Sickness absence data**

- 23 The sickness absence rate during 2009/10 was 1.63% (2009: 2.18%).

**E) Personal data related incidents**

- 24 There were no personal data related incidents during the year.

**F) Group pension liability**

- 25 Please refer to the Post Retirement Benefits accounting policy within the accounting policies in Note 1 to the financial statements.

**G) Remuneration for non audit services**

- 26 The accounts are audited by auditors appointed by the Auditor General for Scotland. For the year 2009/10 the appointed auditors were Scott-Moncrieff.
- 27 During 2009/10, no non-audit fees were paid to Scott-Moncrieff.

## **Corporate Objectives**

- 28 **sportscotland** is the national agency for sport in Scotland. **sportscotland** is responsible for the investment of Scottish Government and National Lottery resources to support people in Scotland to participate, develop and achieve in sport. **sportscotland** strives to ensure these resources are invested wisely so as to achieve best value and maximum impact.

- 29 The **sportscotland** corporate plan for 2009/11 outlines the priorities and principles for **sportscotland** investment. The plan was a mid-term review of the **sportscotland** corporate plan for 2007/11 to reflect the changes in the organisation and the move to outcome based planning.
- 30 The **sportscotland** corporate plan continues to be guided by Reaching Higher, the national strategy for sport, which identifies two national outcomes for Scottish sport – increasing participation and improving performance – and four building blocks to achieve this: well trained people; strong organisations; quality facilities; and providing the pathway.
- 31 The **sportscotland** corporate plan for 2009/11 also sets out how **sportscotland** will contribute to national outcomes and the achievement of Scotland Performs, the Scottish Government’s national performance framework for Scotland, and the specific priorities within the Scottish Government’s Games Legacy Plan, which sets out legacy ambitions for Scotland from London 2012 and Glasgow 2014.
- 32 Guided by Scottish Government and National Lottery directions, the **sportscotland** corporate plan for 2009-11 identifies 7 priorities that guide operations and investment:
- School and Community Sport;
  - Performance Development;
  - High Performance Sport;
  - Quality Facilities;
  - Coaching and Volunteering;
  - Stronger Partners;
  - A Stronger **sportscotland**.
- 33 These priorities are not stand alone, the areas they influence often overlap and are integrated across partners’ plans. Therefore in 2009/10 **sportscotland** continued to invest Scottish Government and National Lottery resources in an integrated way against applications from partners, to ensure the resources complement each other.
- 34 The 2009/10 business plan year was the first full year of the re-structured **sportscotland**, with **sportscotland** incorporating the **sportscotland** head office in Glasgow and its high performance arm, the **sportscotland** institute of sport, in Stirling. It saw significant developments in the regional infrastructure including the Area Institutes of Sport, and as a result of all of these factors new ways of working and systems were introduced.

## **Intangible assets**

- 35 During the year to 31 March 2010 there was £82k (2008/09 £8k) spent on acquiring intangible assets for **sportscotland** Lottery Fund activities.

## **Retained Reserves**

- 36 Accumulated funds totalling £45,994k (Restated 2008/09 £46,855k) were held on the balance sheet at the end of the year.



## Payment of Creditors

- 37 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.
- 38 During the year ended 31 March 2010 the Lottery Fund paid 82% (2008/09 80%) of all invoices received within the terms of its payment policy.
- 39 The **sportscotland** Lottery Fund observes the principles of the Better Payment Practice Code.

## Risk Management

- 40 The system of internal control within **sportscotland** is based on an ongoing process designed to identify the principal risks to the achievement of **sportscotland's** policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.
- 41 **sportscotland** will achieve its risk management objectives by the continued use of a reviewed and updated structured risk management process, designed to ensure that potential opportunities and threats are proactively and systematically identified, assessed and addressed. It will also provide for the monitoring and reporting of risk on an ongoing basis.
- 42 Based on the above, a sample of the main risks are identified below:
- Limited Lottery resources become insufficient to deliver core activities;
  - The inability to deliver sufficient National Strategy for Sport outcomes to the satisfaction of the Scottish Government;
  - The financial situation at Local Authority level results in significant cuts to Sports Development teams.

## Equal Opportunity in Employment and Disabled Employees

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

## Employee Involvement

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

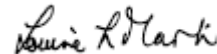
## Statement as to disclosure of information to auditors

- 45 So far as the Accountable Officer is aware, there is no relevant audit information of which the body's auditors are unaware and the Accountable Officer has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that the body's auditors are aware of that information.

**Approved by the Council and signed on its behalf:**



Stewart Harris  
Chief Executive & Accountable Officer  
25 August 2010



Louise Martin CBE  
Chair  
25 August 2010

## **Statement on Corporate Governance**

The Members of the Council acknowledge the importance of the Combined Code, as issued in a revised form in 2006 by the Financial Reporting Council, and have put in place a framework for corporate governance which the Council believes, is appropriate for **sportscotland** and its Group companies.

**sportscotland** is not required to comply with the provisions of the Combined Code, but makes the following voluntary disclosures as a requirement of the FReM:-

### **The Council**

During the year, the Council was established with 13 non executive members, being ministerial appointments, one of which is appointed as Chair (non executive). The Council has the authority to co-opt additional members as may be necessary from time to time to achieve a suitable spread and balance of expertise. Co-opted members also serve in a non executive capacity. Two member's terms came to an end in December 2009 resulting in 11 members remaining at the end of the financial year. All of the 13 non executive members are considered by **sportscotland** to be independent in character and judgement and of having no material relationship with the **sportscotland** group. Council members are appointed by the Scottish Minister following a recruitment process managed by the Scottish Government and appointments being for an initial period of four years. Re-appointment for a further term (usually four years) is at the discretion of the Scottish Minister under advice of the Chair of **sportscotland**.

The attendance of the 13 non executive members during the six meetings of 2009/10 was:

Louise Martin CBE	(6 of 6)	(Chair)
I Beattie	(6 of 6)	
S Grimmond	(4 of 5)	(Until December 2009)
C Dobson	(4 of 6)	
A Duncan	(3 of 5)	(Until December 2009)
K McAully	(6 of 6)	
D Sole	(5 of 6)	
G Marchbank	(5 of 6)	
Mike Hay MBE	(4 of 6)	
Sir Bill Gammell	(4 of 6)	
Prof G Jarvie	(5 of 6)	
F Thin	(6 of 6)	
M Young	(6 of 6)	

### **How the Council Operates**

The Council meets every two months and is responsible for the strategy, performance and the framework of internal control. The Council has a formal schedule of matters specifically reserved to it for decision. These include the approval of the annual business plan, annual financial statements, annual budget and other policies. All members receive an induction on joining the Council. A combination of tailored Council and committee agenda items and other Council activities assist the members in continually updating their skills as well as knowledge and familiarity with the business required to fulfil their role both on the Council and on Council committees.

Responsibility for the day-to-day operational management of the **sportscotland** Group is delegated to the Chief Executive and his executive directors. To enable the Council to discharge its duties, all Council members receive appropriate and timely information. The Council papers are distributed by the Executive office at least one week before Council meetings.

### **Council Member Committees**

The Council's standing committees have written terms of reference clearly setting out their authority and duties.

### **Group Audit Committee**

Membership of the Group Audit Committee consists of four non executive Council members. The membership during the 2009/10 financial year is detailed below with their attendance record for the three meetings that took place.

The Group Audit Committee considers the appointment and fees of the external auditors and discusses the scope of the audit and its findings. It also considers the appointment and fees of the internal auditors and discusses the planned timetable of activity and its findings. The Committee is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual financial statements. The Committee is currently chaired by I Beattie.

I Beattie	(3 of 3) (Chair)
G Marchbank	(3 of 3)
D Sole OBE	(0 of 1) (Until October 2009)
K McAully	(3 of 3)
C Dobson	(1 of 3)

### **Internal Control**

The Council Members acknowledge that they are responsible for the Group's system of internal controls and for reviewing the effectiveness of those controls. The Council Members have delegated the detailed design of the system of internal control to the executive directors of the business who review the internal control framework on an ongoing basis.

Procedures have been developed to safeguard assets against unauthorised use or disposition and to maintain proper accounting records to provide reliable financial information both for internal use and for publication. In accordance with the guidance of the Combined Code, the procedures are regularly reviewed in the light of an ongoing process to identify, evaluate and manage the significant risks faced by the business. The process has been in place for the full year under review and up to the date of the approval of the annual report and financial statements. The procedures are designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

**Approved by the Council and signed on its behalf:**



Stewart Harris  
Chief Executive & Accountable Officer  
25 August 2010

## Remuneration Report

The **sportscotland** Lottery Fund operates a full Performance and Development Appraisal (PDA) 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.

The Chief Executive, S G Harris, is appraised by the Chair with a full report given to the Scottish Government (SG). Any performance related payments are formally approved by the SG. All directors are appraised through the PDA by the Chief Executive. 0.2% of salaries are provided for performance related payments.

All executive directors' employment contracts are open ended, have three month notice periods and the redundancy policy is the payment of two months salary for every years' service. The redundancy policy is currently being reviewed.

The salary and pension entitlements of the most senior members of the **sportscotland** Group have been audited and are as follows:

Name		Salary	Benefits	Pension Increase at 60	Total Accrued Pension at 60	CETV @ 31 March 2010
		£000's	£000's	£000's	£000's	£000's
S G Harris	2010	89	-	-	-	451
	2009	86	-	-	-	#
S Ogg	2010	71	-	1	2	42
	2009	38	-	1	1	#
M Roberts	2010	71	-	1	2	33
	2009	36	-	1	1	#
M Whittingham	2010	91	3	-	-	42
	2009	88	10	1	17	#
L Martin	2010	28	-			
	2009	27	-			
I Beattie	2010	3				
	2009	3				

# CETV balances were not available for 2008/09.

I Beattie is employed by Lindsays, a firm of solicitors, who invoice **sportscotland** for the services he provides as Vice Chair.

In addition to the above, S G Harris received a performance related payment of £4k, which related to the financial year 2007/08 and was over and above the salary figure. For the years 2008/09 and 2009/10 the performance related payments were waived by the Chief Executive. During 2009/10, Mr Harris also received a retention payment of £13k as part of the relocation.

There are four other members of staff that earn above £55,000 per year.

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 2009/10 was 38% (2008/09 44%) with the balance, 62% (2008/09 56%), going to **sportscotland**.

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

Remuneration is paid to council members at the rate of £158 for all meetings attended, along with an £80 payment for preparation for board meeting.

The Lottery operates a car leasing scheme for essential users. Payments made during 2009/10 were £69k (2008/09 £69k).

### **Remuneration Committee**

The Remuneration Committee considers and approves the remuneration and benefits of all staff within **sportscotland** including the Chief Executive Officer. The Committee met on 22 April 2009, 26 August 2009 and 16 December 2009. The Chair's remuneration is decided by the Scottish Government and thus she has no influence over her own pay award. Membership of the Remuneration Committee during 2009/10 comprised :

L Martin  
A Duncan (Chair until October 09)  
D Sole (Chair from October 09)  
Sir Bill Gammell  
Prof G Jarvie  
M Young

**Approved by the Council and signed on its behalf:**



Stewart Harris  
Chief Executive & Accountable Officer  
25 August 2010

## **Statement of Accountable Officer'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 Health and Wellbeing Directorate 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 Government.



Stewart Harris  
Chief Executive & Accountable Officer  
25 August 2010

## 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's** policies, aims and objectives, as set out by the Scottish Government 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 2009/10 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. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of **sportscotland's** 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 2009/10 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 I identified our objectives and risks and determined a control strategy for each of the significant risks, continued on a six monthly cycle during 2009/10. The risk management process has been strengthened during the year and has been incorporated more fully into our corporate planning and decision-making process.

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

- Reviewing the system of key performance and risk indicators;
- To Maintain 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 Council. I 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 including developing systems in response to any relevant reviews and developments in best practice in this and other areas.

Throughout 2009/10, **sportscotland's** Freedom of Information systems were fully operational and all requests received were completed within the statutory timescales.

**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, Scott-Moncrieff and Audit Scotland, in their management letters and other reports.



Stewart Harris  
Chief Executive & Accountable Officer  
25 August 2010



# **Independent auditors' 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 2010 under the National Lottery etc Act 1993. These comprise the Income Statement, the Statement of Financial Position, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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

The Council and the Chief Executive are responsible for preparing the Annual Report, which includes the Remuneration 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 Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited 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 to you 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 and are free from material misstatement.

We also report to you whether, in our opinion, the information within the Report of the Council which as auditors we are required to express an opinion consisting of the sections headed Members of the Council and Management Commentary are consistent with the financial statements.

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.

In addition, we report to you if, in our opinion, 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 the Systems of Internal Control reflects the body's compliance with the Scottish Government's guidance, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risks and controls, or 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 Accounts and consider whether it is consistent with the audited financial statements. This other information comprises only the Corporate Governance Statement and Statement of Accountable Officer's Responsibilities and the unaudited part of the Remuneration Report. We consider the implications for our report if we become aware of

# **Independent auditors' report to the members of the Scottish Sports Council Lottery Fund, the Auditor General for Scotland and the Scottish Parliament (continued)**

any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

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 and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most 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 2010 and of its decrease in the fund;
- 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 and are free from material misstatement; and
- the information within the Report of the Council which as auditors we are required to express an opinion on consisting of the sections headed Members of the Council and Management Commentary are consistent with the financial statements.

### **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.



**Scott-Moncrieff**  
Chartered Accountants  
Statutory Auditor  
Exchange Place 3  
Semple St  
Edinburgh EH3 8BL  
25 August 2010

**sportscotland**  
**Lottery Fund**  
**Income Statement**  
**for the year ended 31 March 2010**

	Notes	2010 £000	Restated 2009 £000
<b>Income</b>			
National Lottery Fund proceeds		20,206	17,599
Interest receivable		6	86
Other operating income	2	71	154
		<hr/>	<hr/>
		20,283	17,839
<b>Expenditure</b>			
Grants paid and committed during the year	3	14,886	9,197
Net grant commitments	3	3,723	2,234
Staff costs:	4	1,927	2,063
Depreciation	5	40	36
Other operating charges: direct	5	1,040	1,432
		<hr/>	<hr/>
		21,616	14,962
Operating deficit before tax		(1,333)	2,877
Notional costs	5	150	175
Corporation tax	6	(1)	(18)
		<hr/>	<hr/>
Decrease in fund		(1,184)	3,034

All the results of the Fund relate to continuing activities

No other gains or losses were incurred in the year.

The notes on pages 20 to 34 form part of these financial statements

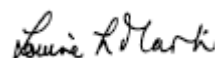
**sportscotland**  
**Lottery Fund**  
**Statement of Financial Position at 31 March 2010**

	Notes	2010 £000	Restated 2009 £000	Restated 2008 £000
<b>Non-current assets</b>				
Property, plant, and equipment	7	1	5	9
Intangible assets	8	74	28	40
<b>Total non-current assets</b>		<u>75</u>	<u>33</u>	<u>49</u>
<b>Current assets</b>				
Investments – balance held in NLDF (Cash and cash equivalents)	9	46,760	49,258	48,175
<b>Trade and other receivables</b>	10	448	50	85
<b>Cash and cash equivalents</b>	12	<u>3,177</u>	<u>2,315</u>	<u>3,108</u>
<b>Total current assets</b>		<u>50,385</u>	<u>51,623</u>	<u>51,368</u>
<b>Total assets</b>		<u>50,460</u>	<u>51,656</u>	<u>51,417</u>
<b>Current Liabilities</b>				
Trade and other payables	11	<u>4,466</u>	<u>4,801</u>	<u>6,880</u>
<b>Total current liabilities</b>		<u>4,466</u>	<u>4,801</u>	<u>6,880</u>
<b>Non-current assets less net current liabilities</b>		45,994	46,855	44,537
<b>Non-current liabilities</b>				
Provisions	13/14	<u>1,481</u>	<u>1,158</u>	<u>2,065</u>
<b>Total non-current liabilities</b>		<u>1,481</u>	<u>1,158</u>	<u>2,065</u>
<b>Net assets</b>		<u>44,513</u>	<u>45,697</u>	<u>42,472</u>
<b>Taxpayers Equity</b>				
General fund	15	44,513	45,697	42,472
		<u>44,513</u>	<u>45,697</u>	<u>42,472</u>

The financial statements were approved and authorised for issue by the Accountable Officer on 25 August 2010:



**Stewart Harris**  
**Chief Executive & Accountable Officer**



**Louise Martin CBE**  
**Chair**

The notes on pages 20 to 34 form part of these financial statements

**sportscotland**  
**Lottery Fund**

**Statement of cash flows for the year ended 31 March 2010**

	Notes	2010 £000	Restated 2009 £000
<b>Cash flows from operating activities</b>			
(Deficit) / surplus on ordinary activities before tax		(1,183)	3,052
<i>Adjustment for non-cash items</i>			
Taxation charge		(1)	(18)
Depreciation on tangible and non-tangible fixed assets		40	36
(Gain)/loss on disposal of tangible fixed assets		-	-
Loss on revaluation of fixed assets		-	-
Reocation provision adjustment		-	191
<i>Movements in working capital</i>			
(Increase)/decrease in investments		2,498	(1,083)
Decrease in trade and other receivables		(398)	(35)
Increase/(Decrease) in trade payables		399	(378)
<i>Movements in provisions</i>			
(Decrease) in provisions for hard commitments		(411)	(2,550)
<b>Net cash inflow / (outflow) from operating activities</b>		944	(785)
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(82)	(8)
<b>Net cash outflow from investing activities</b>		(82)	(8)
<b>Net increase/(decrease) in cash and cash equivalents</b>		862	(793)
<b>Cash and cash equivalents as at 1 April 2009</b>		2,315	3,108
<b>Cash and cash equivalents as at 31 March 2010</b>	<b>12</b>	3,177	2,315

The notes on pages 20 to 34 form part of these financial statements

**sportscotland**  
**Lottery Fund**  
**Reconciliation of movement of funds**  
**for the year ended 31 March 2010**

	<b>Balances held in NLDF £000</b>	<b>Balances at SLF £000</b>	<b>2010 Total £000</b>	<b>Restated 2009 Total £000</b>
Opening balances	49,258	(3,561)	45,697	42,472
National Lottery Fund proceeds	20,206	0	20,206	17,599
Drawn down in year by SLF	(22,704)	22,704	0	0
Interest on cash balances	0	6	6	86
Income from <b>sportscotland</b>	0	0	0	0
Other operating income	0	71	71	154
Relocation Provision Adjustment	0	0	0	191
Grants paid	0	(14,886)	(14,886)	(9,197)
Net grant commitment	0	(3,723)	(3,723)	(2,234)
Expenditure	0	(2,858)	(2,858)	(3,374)
	<u>46,760</u>	<u>(2,247)</u>	<u>44,513</u>	<u>45,697</u>

# sportscotland Lottery Fund

## Notes to the accounts for the year ended 31 March 2010

### 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 National Lottery etc Act 1993, and the Government Financial Reporting Manual, 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.

Comparative figures shown are for the year to 31 March 2009.

#### **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 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 IAS 10 (Events after the Reporting Period).

## **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**

Assets with a value of less than £500 are not capitalised.

Depreciation is provided on all tangible fixed assets on a straight line basis, as follows:

Leasehold buildings	50 years
Fixtures and fittings	5 years
General equipment	4 years
Computing equipment	4 years
Motor vehicles	4 years

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 of disposal.

The finance team are advised of any assets that have been disposed during the year and this is backed up by the annual Asset Audit check which entails visiting the Group estate and checking the accuracy of the Fixed Asset register by verifying the location and condition of all assets.

Where an asset is held under a finance lease, depreciation is provided over the shorter of the lease term and the policy for the class of assets concerned.

### **1.4 Intangible Assets**

Intangible assets are valued at cost less straight line depreciation.

Future economic benefit has been used as the criteria in assessing whether an intangible asset meets the definition and recognition criteria of IAS 38 where assets do not generate income. IAS 38 defines future economic benefit as 'revenue from the sale of products or services, cost savings or other benefits resulting from the use of the asset by the entity'.



## 1.5 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 Statement of Financial Position date, has been certified on an interim basis by the Secretary of State for Culture, Media & Sport as being available for distribution by the body in respect of current and future commitments. This balance is shown as an investment on the Statement of Financial Position and is stated at market value. The balance in the accounts is based on an Interim Statement of balance produced by the Department of Culture, Media and Sport (DCMS) which is subject to completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2009/10 by the National Lottery Commission and the completion of the audit of the National Lottery Distribution Fund accounts for 2009/10 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.

## 1.6 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 this taxable income.

## 1.7 Post retirement benefits

All members of staff are contractually employed by sportscotland and not sportscotland Lottery Fund. A proportion of staff costs are recharged by sportscotland to sportscotland Lottery Fund on the basis of time spend by the employee on activities of sportscotland Lottery Fund.

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).

As sportscotland is the employer of staff, the pension scheme is accounted for as a defined benefit scheme in the financial statements of sportscotland. Within sportscotland Lottery Fund, the pension scheme is accounted for as a defined contribution scheme and the recharged share of the pension contributions is expensed to the Income Statement in the year.

### **Scottish Teachers Superannuation Scheme (STSS).**

**sportscotland** 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**. **sportscotland** 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 IAS 19 "Employee Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income Statement represents the contributions payable to the scheme in respect of the accounting period.

### **Strathclyde Pension Fund (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 **sportscotland**. 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 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 changes in taxpayers equity, actuarial gains and losses.

### **1.8 Leases**

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

### **1.9 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.

### **1.10 Provisions**

A provision (a liability that is of uncertain timing or amount) is recognised in the **sportscotland** Lottery accounts only when it actually exists at the balance sheet date. A provision is recognised when the **sportscotland** lottery fund has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **1.11 Lottery salary recharges**

All employment contracts are within **sportscotland** and the relevant amounts charged to Lottery. All salary costs, except relocation and redundancy costs 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.

### **1.12 Changes in accounting policy**

These financial statements have been prepared under International Financial Reporting Standards for the first time and the comparatives have been restated from UK Generally Accepted Accounting Policy (UK GAAP) where required.

## 2 Income

### 2.1 Proceeds from the National Lottery

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

	<b>2010</b> £000	<b>2009</b> £000
<b>2.2 Other operating income comprises:</b>		
Repayment of grant	71	96
Miscellaneous income	-	58
	<u>71</u>	<u>154</u>

## 3 Grants paid and net grant commitment

	<b>2010</b> £000	<b>2009</b> £000
<b>3.1 Annual grants paid and committed during the year</b>		
Capital and Revenue	<u>14,886</u>	<u>9,197</u>
	<b>2010</b> £000	<b>2009</b> £000
<b>3.2 Grants paid during year</b>		
Paid and committed during year	14,886	9,197
Committed in previous years	4,134	4,842
	<u>19,020</u>	<u>14,039</u>
	<b>2010</b> £000	<b>2009</b> £000
<b>3.3 Net grant commitments</b>		
Hard commitments made during year	19,428	11,911
Less: amounts paid and committed during year	(14,886)	(9,197)
Less: amounts de-committed during year	(819)	(480)
<b>Net grant commitment at 31 March</b>	<u>3,723</u>	<u>2,234</u>
	<b>2010</b> £000	<b>2009</b> £000
<b>3.4 Net grant commitments split</b>		
Capital programmes	2,136	363
Revenue	1,587	1,871
	<u>3,723</u>	<u>2,234</u>

<b>3.5</b>	<b>Grants paid during the year by programme</b>	<b>2010</b> £000	<b>2009</b> £000
	<b>3.5.1 Capital Facilities</b>		
	National	0	109
	Regional	0	2
	Local	2	3
	Swimming Pools	0	119
	Community Facilities	971	1,629
	Training & Competition Facilities	0	327
	Sports Facilities Programme	340	1,042
	Sports Facilities Fund	132	0
	National Regional Sports Facilities Fund	6,016	0
		<hr/> 7,461	<hr/> 3,231
		<b>2010</b> £000	<b>2009</b> £000
	<b>3.5.2 Revenue Funding</b>		
	Athlete Support	3,568	2,875
	Medical Costs	65	0
	Community Regeneration	657	875
	Awards for All	950	1,000
	Coach Support	2,226	3,448
	Organisational Development	0	213
	Sports Partnerships	579	702
	Olympic Lottery Distribution Fund	3,514	878
	Scottish Institute & Area Institutes	0	817
		<hr/> 11,559	<hr/> 10,808
	<b>Total grants paid during the year</b>	<hr/> 19,020	<hr/> 14,039
	<b>3.5.3 Segment Reporting</b>		
	Salaries and Overheads account for 22.8% of the total spend across the sportscotland Group organisations. The breakdown of these resources are as follows:-		
	Sports Development	21%	
	High Performance	25%	
	Corporate Services	21%	
	Trust Company	33%	
		<hr/> 100%	

**The Statement of Financial Position's assets and liabilities are managed across the whole organisation and cannot be segmented.**

## 4 Employees

	<b>2010</b> £000	<b>2009</b> £000
<b>4.1 Total staff costs comprise:</b>		
Wages and salaries	1,538	1,643
Social security costs	140	170
Other pension costs	249	250
Aggregate staff costs	<u>1,927</u>	<u>2,063</u>

All employment contracts are within **sportscotland** and the relevant amounts are recharged to **sportscotland** Lottery.

	<b>2010</b> No.	<b>2009</b> No.
<b>4.2</b> The average staff numbers, including part-time and full-time employees, are as follows:	<u>45</u>	<u>49</u>

## 5 Other operating charges

The operating result is after charging:

	<b>2010</b> £000	<b>2009</b> £000
Administration expenses	740	1,080
Travel and subsistence	83	74
Auditors' remuneration	20	20
	8	8
Operating rentals	39	75
Notional costs	150	175
Depreciation	40	36
	<u>1,080</u>	<u>1,468</u>

## 6 Corporation tax

	<b>2010</b> £000	<b>2009</b> £000
Corporation tax	1	18
Under tax provision	<u>0</u>	<u>0</u>
	<u>1</u>	<u>18</u>

## 7 Property, Plant & Equipment

	<b>Total £000</b>	<b>Fixtures and Fittings £000</b>	<b>Equipment £000</b>
Cost at 1 April 2009	318	94	224
Prior Year Adjustment	(171)	(9)	(162)
Restated cost at 1 April 2009	147	85	62
Additions to 31 March 2010	0	0	0
Disposals to 31 March 2010	(7)	0	(7)
Cost at 31 March 2010	140	85	55
Aggregate depreciation at 1 April 2009	297	94	203
Prior year adjustment	(155)	(9)	(146)
Restated depreciation at 1 April 2009	142	85	57
Charge for the year	4	0	4
Disposals to 31 March 2010	(7)	0	(7)
Aggregate depreciation at 31 March 2010	139	85	54
Net Book Value at 31 March 2010	1	0	1
Net Book Value at 31 March 2009	5	0	5

**sportscotland** Lottery Fund no longer apply indexation to items of property, plant and equipment. This is considered a change in accounting policy and has therefore being reflected within the prior year adjustment above.

The Council have separately identified intangible assets within note 8. Prior year balances have been restated to reflect intangible assets held.

## 8 Intangible assets

Computer software licences

£000

### Cost

Opening balance 1 April 2009	0
Prior year adjustment	<u>227</u>
Restated cost at 1 April 2009	<u>227</u>
Additions during year	82
Disposals during year	<u>0</u>
Closing balance 31 March 2010	<u>309</u>
<b>Accumulated depreciation</b>	
Opening balance 1 April 2009	0
Prior year adjustment	<u>199</u>
Restated depreciation at 1 April 2009	<u>199</u>
Charge for year	36
Eliminated on disposal	<u>0</u>
Closing balance 31 March 2010	<u>235</u>
<b>Net book value at 31 March 2010</b>	<u><u>74</u></u>
<b>Net book value at 31 March 2009</b>	<u>28</u>

In the prior year, Intangibles and Equipment were included as one class of Tangible Fixed Asset called "Equipment". Under IFRS, they must be split into Tangible and Intangible Assets.

## 9 Investments

	<b>2010</b> £000	<b>2009</b> £000
National Lottery Distribution Fund	<u>46,760</u>	<u>49,258</u>

The final audited balance for the value of investments as at 31 March 2010 is not yet available.

The final audited balance for the value of investments as at 31 March 2009 has not been obtained from NLDF as at the 31 March 2010 Balance Sheet date.

	<b>2009</b> <b>Interim</b> <b>Valuation</b>  £000
National Lottery Distribution Fund	<u>49,258</u>

## 10 Trade and other receivables

	<b>2010</b> £000	<b>2009</b> £000
Trade debtors	0	46
Other debtors	441	3
Prepayments and accrued income	7	1
	<u>448</u>	<u>50</u>

## 11 Trade and other payables

	<b>2010</b> £000	<b>2009</b> £000
Trade creditors	0	0
Corporation tax	1	18
Hard commitments payable within one year	4,011	4,745
Other creditors	207	0
Accruals and deferred income	247	38
	<u>4,466</u>	<u>4,801</u>



## 12 Cash and cash equivalents

	<b>2010</b> £000	<b>2009</b> £000
Cash and bank balance at 1 April	2,315	3,108
Net cash inflow	<u>862</u>	<u>(793)</u>
Cash and bank balance at 31 March	<u>3,177</u>	<u>2,315</u>

### Financial Instruments (under IFRS)

As a consequence of International Financial Reporting Standards (IFRS), Debtors, Creditors and Bank Balances are deemed to be Financial Instruments and a risk assessment on these balances is a detailed requirement. **Sportscotland** Lottery Fund's assessment of the risks attached to the balances in Notes 10, 11 and 12 is that there are no or very limited risks.

## 13 Grant Commitments

	<b>2010</b> £000	<b>2010</b> £000	<b>2009</b> £000
<b>Capital</b>			
Balance as at 1 April		3,322	6,152
Amounts committed during the year		<u>8,769</u>	<u>494</u>
Total hard commitments		12,091	6,646
Amounts paid during the year	(1,310)		
Amounts paid and committed during the year	(6,150)		
Amounts de-committed during the year	<u>(483)</u>	<u>(7,943)</u>	<u>(3,324)</u>
Hard capital commitments at 31 March		<u>4,148</u>	<u>3,322</u>

	2010 £000	2010 £000	2009 £000
<b>Revenue</b>			
Balance as at 1 April		2,582	2,361
Amounts committed during the year		10,658	11,416
Total hard commitments		<u>13,240</u>	<u>13,777</u>
Amounts paid during the year	(2,824)		
Amounts paid and committed during the year	(8,736)		
Amounts de-committed during the year	<u>( 336)</u>		
		<u>(11,896)</u>	<u>(11,196)</u>
Hard revenue commitments at 31 March		<u>1,344</u>	<u>2,581</u>
Total hard commitments at 31 March		<u>5,492</u>	<u>5,903</u>

At 31 March 2010 a total of £4,011k (2008/09 £4,745k) is payable within one year and disclosed in Note 11. A further £1,481k (2008/09 £1,158k) is payable within two to five years and shown on the face of the accounts under Grant Commitments.

## 14 Provisions

	2010 £000	2009 £000
Opening balance at 1 April	0	60
Increase provisions during the year	0	0
Utilised during the year	<u>0</u>	<u>(60)</u>
Closing balance at 31 March	<u>0</u>	<u>0</u>

A provision was created in 2001/02 for the early retirement of a member of staff. This was written off during 2008/09.

## 15 General Fund

	2010 £000	Restated 2009 £000
<b>Represented by:</b>		
Balance as at 1 April	45,697	42,472
Change in fund for the year	(1,184)	3,034
Relocation Provision Adjustment	0	191
Balance as at 31 March	<u>44,513</u>	<u>45,697</u>

## 16 Soft capital grant commitments

	2010 £000	2010 £000	2009 £000
Balance as at 1 April		94	33
Amounts committed during the year		2,748	555
Total soft commitments		2,842	588
Amounts transferred to hard commitments	(2,752)		(494)
Amount de-committed during the year	0		0
		(2,752)	494
Soft commitments at 31 March		90	94

## 17 Related party transactions

The **sportscotland** Lottery Fund is administered by **sportscotland** and is thus regarded as a related party of the **sportscotland** Lottery Fund.

During the year **sportscotland** recharged salaries of £1,927k (2009: £2,063k) and rent of £162k (2009: £162k) to the Lottery Fund. Within creditors there is an amount owed to **sportscotland** of £207k. At the year end, within debtors, is an amount of £441k due from **sportscotland**.

The Scottish Sports Council Trust Company is a related party of the **sportscotland** Lottery Fund as it is a 100% owned subsidiary of **sportscotland**. There were no transactions in the year between the Scottish Sports Council Trust Company and **sportscotland** Lottery Fund.

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

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

	<u>2010</u>	<u>2009</u>
Awards for All	£950,000	£1,000,000

The **sportscotland** members and their associated organisations during the year to 31 March 2010 are detailed below:

Louise Martin CBE

UK Sport  
 Scottish Gymnastics  
 Commonwealth Games Federation  
 Scottish Sports Aid Foundation  
 University of Abertay  
 Scottish Swimming  
 Commonwealth Advisory Body on Sport  
 Glasgow 2014 Ltd

Atholl Duncan

Watsonian Rugby Club  
 Hibernian FC

Steven Grimmond

Fife Council

	Scottish Arts Council Dundee FC
Ian Beattie	Scottish Athletics Strathearn Harriers Auchterarder Golf Club
Carolan Dobson	RYA Scotland Sports Resolutions UK
Kim McAully	Angus Council
Graeme Marchbank	Diageo PLC
David Sole	HBOS Foundation
Mike Hay MBE	British Olympic Association Blairgowrie Golf Club Elie Golf Club
Sir Bill Gammell	Cairn Energy PLC Winning Scotland Foundation Glasgow 2014 Ltd
Frances Thin	Cairngorms National Park Authority
Prof Grant Jarvie	Stirling University
Mel Young	Pro Poor Sports Limited Culture and Sport Glasgow Homeless World Cup Foundation

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 2010 the **sportscotland** Lottery Fund had annual commitments under non-cancellable operating leases as detailed below:

	<b>2010</b> £000	<b>2009</b> £000
Motor vehicles		
Expiry within one year	11	27
Expiry within two to five years	8	62
	19	89

## 19 Losses

The **sportscotland** Lottery Fund had no write-offs during the year.

## 20 First Time adoption of IFRS

	<b>General fund £000</b>	<b>Revaluatio n reserve £000</b>
Taxpayers' equity at 31 March 2009 under UK GAAP	45,243	13
Adjustments for:		
IAS 16 : Property, plant and equipment	13	(13)
IAS 19 : Employee Benefits	441	-
	<hr/>	<hr/>
Taxpayers' equity at 1 April 2009 under IFRS	<u>45,697</u>	<u>-</u>

	<b>£000</b>
Net operating cost for 2008-09 under UK GAAP	2,383
Adjustments for:	
IAS 19 : Employee Benefits	651
Net operating cost for 2008-09 under IFRS	<hr/> <u>3,034</u> <hr/>

The movement in cashflow is not material and thus no reconciliation has been prepared.

## 21 RESTATED BALANCE SHEET

	Opening Balance Sheet under UK GAAP as at 1 April 2008	IAS 38 Intangible assets	IAS 19 Employee Benefit	Restated Opening Balance Sheet under IFRS as at 1 April 2008	Opening Balance Sheet under UK GAAP as at 1 April 2009	Prior year adjustments under UK GAAP	Restated opening Balance Sheet under UK GAAP as at 1 April 2009	IAS 38 Intangible assets	IAS 19 Employee Benefit	Restated Opening Balance Sheet under IFRS as at 1 April 2009
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets:</b>										
Property, plant and equipment	49	-40		9	21	12	33	-28		5
Intangible assets	0	40		40				28		28
<b>Total non-current assets</b>	<b>49</b>	<b>40</b>		<b>49</b>	<b>21</b>		<b>33</b>	<b>28</b>		<b>33</b>
<b>Long term debtor ( from sportscotland)</b>	<b>210</b>		<b>-210</b>	<b>0</b>						
<b>Current Assets:</b>										
Investments	48,175			48,175	49,258		49,258			49,258
Trade and other receivables	85			85	62	-12	50			50
Cash and cash equivalents	3,108			3,108	2,315		2,315			2,315
<b>Total current assets</b>	<b>51,368</b>			<b>51,368</b>	<b>51,635</b>		<b>51,623</b>			<b>51,623</b>
<b>Total assets</b>	<b>51,627</b>			<b>51,417</b>	<b>51,656</b>		<b>51,656</b>			<b>51,656</b>
<b>Current liabilities</b>										
Trade and other payables	-6,880			-6,880	-4,801		-4,801			-4,801
<b>Total current liabilities</b>	<b>-6,880</b>			<b>-6,880</b>	<b>-4,801</b>		<b>-4,801</b>			<b>-4,801</b>
<b>Non-current assets plus/less net current assets/liabilities</b>	<b>44,747</b>			<b>44,537</b>	<b>46,855</b>		<b>46,855</b>			<b>46,855</b>
<b>Non-current liabilities</b>										
Provisions	-60			-60	0		0			0
Long term creditor (to sportscotland)	0			0	-441		-441		441	0
Grant commitments	-2,005			-2,005	-1,158		-1,158			-1,158
<b>Total non-current liabilities</b>	<b>-2,065</b>			<b>-2,065</b>	<b>-1,599</b>		<b>-1,599</b>			<b>-1,158</b>
<b>Assets less liabilities</b>	<b>42,662</b>			<b>42,472</b>	<b>45,256</b>		<b>45,256</b>			<b>45,697</b>
<b>Taxpayers' Equity</b>										
Revaluation reserve	-13	13		0	-13		-13		13	0
General Fund	-42,669	-13	210	-42,472	-45,243		-45,243		-454	-45,697
<b>Total taxpayers' equity</b>	<b>-42,682</b>			<b>-42,472</b>	<b>-45,256</b>		<b>-45,256</b>			<b>-45,697</b>

## 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 December 2005 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated April 2010

## 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. within the heading "Cash and cash equivalents" the balance held on behalf of the body at the National Lottery Distribution Fund;
  - b. under the heading "Non-current liabilities" 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)
  - c. under the heading "Represented by" 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 IAS 10 (Events after the Reporting Period). 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 which ever is the lower,) it will be necessary to treat the repayment as an adjusting event in terms of IAS 10.



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