

**SKILLNET EDINBURGH**  
**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2008**

**Charity No SC024528**

**Company No SC228710**

**WHITELAW WELLS**  
**Chartered Accountants**

**EDINBURGH**

**GLASGOW**

**SKILLNET EDINBURGH**

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**For the year ended 31 March 2008**

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## **SKILLNET EDINBURGH**

### **LEGAL AND ADMINISTRATIVE INFORMATION**

**For the year ended 31 March 2008**

#### **Directors and Council**

Marion Fletcher	Chair
Dr Nicolina Kamenou	Vice-chair
Arthur Akugbo	Treasurer (Appointed 23 August 2008)
Maktoba Omar	
Professor Geoff Palmer	
Shirley Galbraith	
Lawrence Brew	
Dinesh Joshi	

#### **Company Secretary**

Eddy McGregor

#### **Business Manager**

Eddy McGregor

#### **Registered Office and operational address**

Norton Park  
57 Albion Road  
Edinburgh  
EH7 5QY

#### **Auditors**

Whitelaw Wells  
9 Ainslie Place  
Edinburgh  
EH3 6AT

#### **Bankers**

Royal Bank of Scotland  
2 Blenheim Place  
Edinburgh  
EH7 5JH

## **SKILLNET EDINBURGH**

### **DIRECTOR'S REPORT**

**For the year ended 31 March 2008**

The Directors are pleased to present their report together with the financial statements of the charity for the year ended 31<sup>st</sup> March 2008.

#### **Structure, Governance and Management**

##### **Governing Document**

Skillnet Edinburgh Limited is a company limited by guarantee governed by its Memorandum and Articles of Association dated 4 March 2002. It is registered as a charity with the Office of the Scottish Charity Regulator, having been established as an unincorporated charity in 1996. Anyone over the age of 18 can become a member of the company, each of whom agrees to contribute £1 in the event of the charity winding up.

##### **Appointment of Directors**

As set out in the Articles of Association the chair of the directors is elected by the other directors. Directors are elected from amongst eligible members at the Annual General Meeting of the company. At each AGM, one third of directors, being determined by length of service, shall retire. Those directors retiring at an AGM are eligible for re-election.

The directors have the power to appoint further members to fill any vacancies that arise. Appointed members may hold post until the next AGM, when they shall retire.

All members are circulated with invitations to nominate directors prior to the AGM advising them of the retiring directors and requesting nominations for the AGM. When considering appointing directors, the Board has regard to the requirement for any specialist skills needed.

##### **Director Induction and Training**

New directors undergo an orientation day to brief them on their legal obligations under charity and company law, the content of the Memorandum and Article of Association, the committee and decision making process, the business plan and recent financial performance. The directors and staff hold an annual training day, and directors are encouraged to undertake any external training that is appropriate to their roles.

##### **Organisation**

The board of directors, who are directors for the purpose of company law and trustees for the purpose of charity law, can have up to 10 members. They administer the charity. The board meets quarterly and there are sub-committees covering personnel, finance and projects which meet more regularly. A Business Manager is appointed by the directors to manage the day-to-day operations of the charity. To facilitate effective operations, the Business Manager has been delegated authority, within terms of delegation approved by the directors, for operational matters including finance, employment and project activity.

##### **Risk management**

The directors have a risk management strategy that comprises

- A review of the risks the charity may face
- The establishment of policies and procedures to minimise risk to the charity

## **SKILLNET EDINBURGH**

### **DIRECTOR'S REPORT (continued)**

#### **For the year ended 31 March 2008**

As employment law becomes ever more complicated, the trustees identified a medium to high risk of breaches of employment legislation. To counter this, an Employment Consultancy company was retained to provide advice and support on employment related matters. The Employment Consultancy also provides full legal and indemnity cover in the case of any employment tribunal. The directors are confident that this measure reduces the employment related risk of the charity to a low level.

The major risk identified by the directors was the financial position of Skillnet. The Directors are committed to diversifying the funding base of Skillnet, and seek multi-year funding, in order to provide on-going services for clients.

As a charity, dependent upon external financing, there exists an on-going risk to the medium to long-term sustainability of the charity. The directors have played an active part in trying to identify sources of multi-annual funding. During the year, Skillnet was successful in gaining European Social Funding to develop and deliver services in partnership with the Black Community Development Project. The board are keen to develop this partnership, and applications for multi-annual funding have been made to the 2007-2013 ESF programme, as well as the Scottish Executive Race, Religion and Refugee Intregation Fund to support this work.

The directors regularly review the management accounts for the charity, and whilst still concerned at the financial risk to the charity, are confident that this can be addressed over the coming year.

#### **Related Parties**

Skillnet Edinburgh is a member of the City of Edinburgh Joined Up for Jobs Forum, Edinburgh Race Equalities Forum, Edinburgh and Lothian Race Equality Council, CEMVO, SCVO and EVOC. Our links with local statutory and non-statutory organisations shapes the services we provide, and ensure that we are aware of the wider strategic priorities of decision makers.

Skillnet is a member of the EMPOWER partnership, a European EQUAL funded project. Skillnet's Business Manager, Eddie McGregor, is a director and treasurer of EMPOWER.

During the year, Skillnet formed a new partnership with Black Community Development Project to deliver structured employability and personal development training.

Skillnet works in partnership with Nisus Scotland to deliver vocational training to clients. We have an intermediary agreement with Job Centre Plus and receive referrals from local offices.

#### **Objectives and activities**

The objectives of Skillnet are:

- To work towards the elimination of racial discrimination in training, education and employment
- To promote equality of opportunity and good relations between persons of different racial groups within the City of Edinburgh and surrounding areas.

Our wider aim is to promote the social and economic equality of minority ethnic communities, through education, training and sustainable employment, for an inclusive and enriched Scotland.

During the year, the charity undertook a review of activities to ensure that these continued to be relevant and within the aims of the charity. The directors approved a business plan that re-affirmed the continuing requirement for Skillnet to operate in pursuit of the above objectives.

## SKILLNET EDINBURGH

### DIRECTOR'S REPORT (continued)

#### For the year ended 31 March 2008

The directors agreed the following strategies to meet charitable objectives

- A range of courses and workshops giving service users the skills and confidence to access appropriate training, education or employment
- Information on careers, education, and training opportunities
- Specialist project for men with mental health support needs
- Works with a range of employers and policy makers highlighting the labour market situation for minority ethnic communities in Edinburgh and the Lothians

#### Review of the Year

During 2006-2007, a year of considerable change for Skillnet, the directors took the decision to restructure the organisation, focus our work on our key objectives, and consolidate the services we provided by developing our partnership approach and working in collaboration with other agencies to provide effective services through both our own work and signposting to other agencies. This work continued during 2007-2008, the highlights being the continued success of the Mind2Work project for men with mental ill-health, the partnership with Nisus Scotland, delivering vocational training, the mainstreaming and dissemination of work from the EMPOWER partnership, and the establishment of a new partnership with the Black Community Development Project (BCDP).

In partnership with Nisus Scotland, Skillnet ran 3 'Skilltech' courses. These courses, which each ran for 12 weeks, allowed 39 clients from the bme community to access IT, language and employability skills training. The European Computer Driving Licence qualification was offered to clients, recognising their achievements in IT training. With the on-going support of Stevenson College, ESOL qualifications continued to be offered to clients. During the year, the following outcomes in ESOL: Work Context, ESOL for Work and Living or Communications were achieved

SQA Intermediate 2 :	13 passes
SQA Intermediate 1:	14 passes
SQA Access 2:	5 passes
SQA Access 2:	1 pass

The year saw the second full year of the Big Lottery funded Mind2Work programme. The project aimed to work with 68 clients over a three-year period. Last year, we reported that in the first full year the project received 47 clients, almost double our initial expectations. By the end of the second year, we had worked with 88 men, exceeding our three year target, and proving the demand for the services we provide. Structured courses were run for 15 men, with 41 men receiving one to one and group support. The increased complexity and support required by some of the clients have led to on-going contacts and support from a number of other organisations, including the Ethnic Minority Law Centre and Trade Union 'Support @ Work' project.

As part of the demand for a 'Mind2Work' for women, Skillnet and BCDP submitted an application to the ESF Shadow Round, to support the expansion of our work. This application was successful, and led the joint 'Black Community Skills Project'.

## **SKILLNET EDINBURGH**

### **DIRECTOR'S REPORT (continued)**

#### **For the year ended 31 March 2008**

The Black Community Skills Project took a number of the key lessons from the Mind2Work project, and expanded these to include women. Key to the success of this joint project was the provision of training close to the participants, enabling people to learn with other learners from within their local communities, to promote peer-to-peer support groups and through work with locally based mainstream organisations, to promote social inclusion and community cohesion.

Participants on the course undertook a programme of personal development, employability, language support, and work placements. During the year 69 participants, 22 male, 47 female, undertook training courses, whilst receiving, where appropriate, one-to-one support.

At the end of March, Skillnet and BCDP welcomed Mrs Maureen Watt, Minister for Schools and Skills, to present certificates of achievement to most of the participants. Mrs Watt was delighted to hear that 21 of the participants were unable to attend – as they were now in employment!

Skillnet, as part of the EMPOWER partnership, previously piloted a number of new projects, including those promoting bme individuals to access coaching courses and advocacy development work. The aim of these courses is to develop positive role models that can inspire and challenge others, in particular employers and educational institutions which still struggle to achieve a diverse workforce. The focus of this work changed in the past year, from piloting work and assessing what worked effectively, to rolling out the lessons we have learned to other organisations and policy makers. In March, Skillnet, in conjunction with BCDP and Empower, hosted an event in Edinburgh to allow policy makers and course participants to meet and discuss issues around our training. This event was very useful, and we will continue to work with other organisations to promote diversity and opportunity through new approaches and methodologies.

#### **Financial Review**

During the year ended 31<sup>st</sup> March 2008, the directors reviewed the 3-year business plan for the charity. This review highlighted the financial risk to the charity, as well as the skills and potential to develop the charity. It was agreed that the work of Skillnet should focus on the core objectives of the organisation, specifically around the Mind2Work project and partnership work with BCDP and Nisus.

The Mind2Work project, funded through the Big Lottery, entered its final year. This project is funded until June 2008. We plan to submit applications to develop this work, and have been successful in our initial Stage 1 application. A full application will be submitted to the Big Lottery during the year.

The funding received from ESF with respect to the Black Community Skills Project has allowed us to develop the partnership approach with BCDP, and an application for continued funding for 2008-2009 has been successful, allowing us to continue this work.

The financial climate within the voluntary sector, the reduction of ESF funding across the country, and the increased demand on other funders, generates uncertainty and concern both for the Board and also the staff working for Skillnet. The Business Manager, supported fully by the Board, will continue to seek multi-annual funding, diversify the funding base of the organisation, and work to increase the unrestricted reserves of Skillnet.

#### **Grant Making Policy**

The company awards grants in line with the terms and conditions it has to comply with as lead partner of a given project.

## **SKILLNET EDINBURGH**

### **DIRECTOR'S REPORT (continued)**

#### **For the year ended 31 March 2008**

##### **Investment powers and policy**

Under the Memorandum and Articles of Association, the charity has the power to invest in any way the directors wish.

The directors, having regard to the liquidity of the charity, have established with the Royal Bank of Scotland a High Interest Deposit Account. The Royal Bank automatically transfers any surplus funds from our current account to the High Interest account, maximising the income received by the charity.

##### **Reserves Policy**

The directors seek to reach a level of reserves equivalent to three months operation expenses. This level of reserve would provide for the short-term withdrawal of funding, and allow for alternative funding to be sourced, of failing this, an ordered exit strategy for staff and clients.

The directors therefore aim to generate unrestricted reserves of approximately £50,000. The actual unrestricted reserves of the charity at 31<sup>st</sup> March 2008 were £1,008.

The directors are committed to generating the necessary unrestricted funding to reach the targeted reserves, and will be pro-active in generating increased income for the charity.

##### **Plans for future periods**

As our work continues, we are increasingly aware of the widening gap between employment opportunities for those from the local white population, and those from Black and Minority Ethnic communities. The economic prosperity of the last 10 years has not been enjoyed equally by all communities in Scotland, and as the country slips in to recession, with closures and job losses, there is a real danger that those who are furthest removed from the labour market through race, creed or colour, through disability or mental ill-health, through caring responsibilities, or through lack of experience or qualifications, will bear a greater burden of suffering and deprivation.

We are also aware that changes to funding priorities and programmes present challenges to the future of our work. We have seen other organisations fail, not through lack of clear objectives, or quality of work, but through the vagaries of funding priorities amongst central and local government, trusts and grant-making bodies.

Skillnet are more fortunate than some. We have received funding from the Scottish Government Race Religion and Refugee Integration Fund, which will allow us to develop our partnership with BCDP over the next two years. We have also received three-year funding from the Big Lottery to develop the Mind2Work project, and provide support and training to those experiencing mental ill-health. This funding will take us through to March 2012.

But we also know that we cannot stand still, that the demands on our services are likely to increase over the next few years, and that we must be aware of current and future funding pressures.

The Board of Skillnet, therefore, commit themselves to continuing the work of Skillnet, to establishing effective partnerships with other organisations, including those in the public, private, voluntary and education sectors, and to diversifying the funding base of Skillnet, ensuring that in the medium term, we are no longer dependent upon a few large funders.

## SKILLNET EDINBURGH

### DIRECTOR'S REPORT (continued)

For the year ended 31 March 2008

#### **Taxation**

Skillnet Edinburgh is a charity and is recognised as such by the Inland Revenue for taxation purposes. As a result, there is no liability to taxation on any of its income.

This report has been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

#### **Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of the affairs of the charitable company as at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing those financial statements, the directors should follow best practice and

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going basis unless it is inappropriate to assume that the company will continue on that basis.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the charitable company's auditors are unaware, and each director has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

#### **Auditors**

A resolution to re-appoint Whitelaw Wells as accountants and auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Approved by the Directors on 29 January 2009 and signed on their behalf by:

Eddy McGregor  
Company Secretary

## **SKILLNET EDINBURGH**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKILLNET EDINBURGH**

**For the year ended 31 March 2008**

This report is issued in respect of an audit carried out under section 235 of the Companies Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

We have audited the financial statements of Skillnet Edinburgh for the year ended 31 March 2008 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

This report is made exclusively to the members, as a body, in accordance with Section 235 of the Companies Act 1985, and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The responsibilities of the trustees (who are the directors of the charity for the purposes of company law) for preparing the Director's report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you if, in our opinion, the information given in the Director's Annual Report is consistent with the financial statements, if the charity has not kept proper accounting records, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

**SKILLNET EDINBURGH**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKILLNET  
EDINBURGH**

**For the year ended 31 March 2008**

**Basis of audit opinion (continued)**

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

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements:-

- give a true and fair view of the state of affairs of Skillnet Edinburgh as at 31 March 2008 and of its incoming resources and application of resources, including its income and expenditure, for the period then ended;
- have been properly prepared in accordance with The Charities and Trustees Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and UK Generally Accepted Accounting Practice applicable to Smaller Entities; and
- the information provided in the Directors' Report is consistent with the financial statements

29 January 2009

9 Ainslie Place  
Edinburgh  
EH3 6AT

WHITELAW WELLS  
Chartered Accountants  
& Registered Auditors

## SKILLNET EDINBURGH

### INCOME AND EXPENDITURE ACCOUNT INCORPORATING STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 March 2008

		Unrestricted Funds 2008 £	Restricted Funds 2008 £	Total Funds 2008 £	Funds 2007 £
	Note				
<b>Incoming resources</b>					
<b>Incoming resources from generated funds:</b>					
<i>Voluntary income:</i>					
Donations	3	156	5,000	5,156	9,743
<i>Activities for generating funds:</i>					
Consultancy and other fees		7,500	273	7,773	5,993
<i>Investment income</i>		8	-	8	54
<b>Incoming resources from charitable activities:</b>					
Grants	4	307	191,827	192,134	139,275
		-----	-----	-----	-----
<b>Total incoming resources</b>		7,971	197,100	205,071	155,065
		-----	-----	-----	-----
<b>Resources expended</b>					
Charitable activities		(342)	204,088	203,746	143,962
Governance costs		2,993	1,365	4,358	4,740
		-----	-----	-----	-----
<b>Total resources expended</b>	5	2,651	205,453	208,104	148,702
		-----	-----	-----	-----
<b>Net movement in funds</b>		5,320	(8,353)	(3,033)	6,363
Transfers between funds	15	(6,301)	6,301	-	-
		-----	-----	-----	-----
		(981)	(2,052)	(3,033)	6,363
<b>Total funds at 1 April 2007</b>		1,989	4,626	6,615	252
		-----	-----	-----	-----
<b>Total funds at 31 March 2008</b>		1,008	2,574	3,582	6,615
		=====	=====	=====	=====

The company has no recognised gains or losses other than the results for the year as set out above.  
All of the activities of the company are classed as continuing.

## SKILLNET EDINBURGH

### BALANCE SHEET

As at 31 March 2008

	Note	2008 £	2008 £	2007 £
<b>FIXED ASSETS</b>				
Tangible assets	9		-	-
<b>CURRENT ASSETS</b>				
Debtors	10	94,640		20,479
Cash in hand and at bank		313		5,414
		<hr/>		<hr/>
		94,953		25,893
<b>CURRENT LIABILITIES</b>				
Creditors: Amounts falling due within one year	11	(91,371)		(19,278)
		<hr/>		<hr/>
			3,582	6,615
			<hr/>	<hr/>
<b>TOTAL ASSETS LESS LIABILITIES</b>			3,582	6,615
			<hr/>	<hr/>
<b>NETASSETS</b>			3,582	6,615
			<hr/> <hr/>	<hr/> <hr/>
<b>FUNDS</b>	14, 15			
Restricted			2,574	4,626
Unrestricted - General			1,008	1,989
			<hr/>	<hr/>
			3,582	6,615
			<hr/> <hr/>	<hr/> <hr/>

These accounts are prepared in accordance with the special provision of Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

Approved by the Directors on 29 January 2009 and signed on their behalf by:

Marion Fletcher  
Chair

Arthur Akugbo  
Treasurer

# SKILLNET EDINBURGH

## NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 March 2008

### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention and are in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007), the Companies Act 1985 and follow the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) issued in March 2005 except for the matter referred to below.

The Financial Reporting Standard for Smaller Entities requires that any surplus or deficit on the defined benefit pension scheme be recognised in the financial statements. The charity is a member of the Scottish Voluntary Sector Pensions Scheme, a multi-employer defined benefit pension scheme, which is unable to identify Skillnet Edinburgh's share of underlying assets or liabilities in the scheme. Consequently, the Board of Directors have followed the FRS17 requirement to account for the contributions to the scheme as if it were a defined contribution scheme.

#### **Fixed assets and depreciation**

Fixed assets are originally recorded at cost. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows :

Equipment	- 25% Straight line
Fixtures and Fittings	- 25% Straight line

Items of expenditure are capitalised where the purchase price exceeds £500.

#### **Incoming resources**

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Voluntary income is received by way of donations and is included in full in the Statement of Financial Activities when receivable
- Activities for generating funds is received for consultancy work and is included in full in the Statement of Financial Activities when the charity earns the right to the income
- Investment income is included when receivable
- Incoming resources from charitable activities are received by the way of grants. Grants, where entitlement is not conditional on the delivery of a specific performance by the charity, are recognised when the charity becomes unconditionally entitled to the grant. Grants, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance.
- The value of services provided by volunteers has not been included in these accounts

## SKILLNET EDINBURGH

### NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 March 2008

#### 1. ACCOUNTING POLICIES (continued)

##### Resources expended

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. The charity is not registered for VAT and accordingly costs are shown gross of irrecoverable VAT.

- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be directly to such activities and those of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.

##### Unrestricted Funds

Unrestricted funds are grants and other incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

##### Restricted Funds

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure, which meets these criteria, is charged to the fund, together with a fair allocation of management and support costs.

#### 2. GOING CONCERN

The financial statements have been prepared on the going concern basis which assumes the charitable company will continue to operate for the foreseeable future. In order to do so the charitable company will require the continued support of its bankers, funders and creditors. The directors are currently trying to secure additional funding but are confident of the continued support of funders and creditors.

**SKILLNET EDINBURGH**

**NOTES TO THE FINANCIAL STATEMENT**

**For the year ended 31 March 2008**

**3. DONATIONS**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>	<b>Total</b>	<b>Total</b>
			<b>£</b>	<b>£</b>
Peninsula Referral	156	-	156	-
Robertson Trust	-	5,000	5,000	-
Scottish Executive Health Department	-	-	-	6,460
Jewel & Esk Valley College	-	-	-	143
In kind donations	-	-	-	3,140
	<hr/>	<hr/>	<hr/>	<hr/>
	156	5,000	5,156	9,743
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**4. INCOMING RESOURCES FROM ACTIVITIES TO FURTHER THE CHARITY'S OBJECTS**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>	<b>Total</b>	<b>Total</b>
			<b>£</b>	<b>£</b>
<b>Grants received for the promotion of equal opportunity:-</b>				
Big Lottery Fund	-	64,619	64,619	62,994
Scottish Executive	-	-	-	45,000
Empower ESF – Revenue Grant	-	23,092	23,092	24,781
ESF 2007-13 Programme	-	104,116	104,116	-
CLAN	307	-	307	-
One City Trust	-	-	-	5,000
Communities Scotland	-	-	-	1,500
	<hr/>	<hr/>	<hr/>	<hr/>
	307	191,827	192,134	139,275
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**SKILLNET EDINBURGH**

**NOTES TO THE FINANCIAL STATEMENT**

**For the year ended 31 March 2008**

**5. TOTAL RESOURCES EXPENDED**

	<b>Basis of Allocation</b>	<b>Provision of information to clients</b>	<b>Training £</b>	<b>Strategic research &amp; policy £</b>	<b>Governance £</b>	<b>2008 Total £</b>	<b>2007 Total £</b>
<b>Costs directly allocated to activities</b>							
Grants awarded	Direct	-	61,731	-	-	61,731	-
Staff salaries (note 7)	Direct	10,750	63,604	15,229	-	89,583	91,360
Other staff costs	Direct	3,103	17,821	4,349	-	25,273	18,039
Property costs	Direct	2,775	11,366	2,547	-	16,687	16,395
Venue & Conference costs	Direct	87	2,282	173	-	2,542	1,864
Telephone	Direct	192	754	193	-	1,139	1,884
Printing, postage and stationery	Direct	195	720	262	-	1,177	1,353
Subscriptions	Direct	35	669	1,885	-	2,590	2,245
Publicity	Direct	-	-	-	-	-	141
Consultancy costs	Direct	-	-	-	-	-	221
Management costs	Direct	-	-	-	-	-	502
Beneficiary costs	Direct	115	713	-	-	828	9,385
Audit fees	Direct	-	-	-	3,995	3,995	3,701
Legal fees	Direct	-	-	-	330	330	368
Board meeting and travel	Direct	-	-	-	33	33	81
Board training	Direct	-	-	-	-	-	590
Bank charges	Direct	408	1,278	510	-	2,196	543
Depreciation	Direct	-	-	-	-	-	30
<b>Total resources expended</b>		<u>17,660</u>	<u>160,938</u>	<u>25,148</u>	<u>4,358</u>	<u>208,104</u>	<u>148,702</u>

## SKILLNET EDINBURGH

### NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 March 2008

#### 6. NET INCOMING RESOURCES FOR THE YEAR

	2008	2007
	£	£
This is stated after charging:-		
Depreciation	-	30
Auditor's Remuneration – audit fee	3,995	3,701
	<u>          </u>	<u>          </u>

No director received any remuneration for services as a director, nor was reimbursed any expenses (2007: nil).

#### 7. STAFF NUMBERS AND COSTS

	2008	2007
	£	£
Wages & salaries	77,435	79,741
Social Security costs	6,451	6,338
Pensions	5,787	5,281
	<u>          </u>	<u>          </u>
	<u>89,583</u>	<u>91,360</u>

The average monthly number of employees, calculated as full time equivalents, during the period was:

	No.	No.
Promotion of equal opportunity	3	3
	<u>          </u>	<u>          </u>

No employee received remuneration of more than £60,000 (2007: £nil).

#### 8. TAXATION

The charitable company is exempt from corporation tax on its charitable activities.

**SKILLNET EDINBURGH**

**NOTES TO THE FINANCIAL STATEMENT**

**For the year ended 31 March 2008**

**9. TANGIBLE FIXED ASSETS**

	<b>Equipment Total £</b>
Balance at 1 April 2007	14,455
Disposal in year	(8,151)
	-----
Balance at 31 March 2008	6,304
	-----
<b>Depreciation</b>	
Balance at 1 April 2007	14,455
Charged in year	-
Disposal in year	(8,151)
	-----
Balance at 31 March 2008	6,304
	-----
<b>Net book value</b>	
At 31 March 2008	-
	=====
At 31 March 2007	-
	=====

**10. DEBTORS**

	<b>2008 £</b>	<b>2007 £</b>
Grants receivable	84,409	17,044
Other debtors	10,231	3,435
	-----	-----
	94,640	20,479
	=====	=====

**11. CREDITORS: Amounts falling due within one year**

	<b>2008 £</b>	<b>2007 £</b>
PAYE & NI	15,712	5,872
Pension contributions	2,418	1,237
Accruals	3,290	11,806
Grants payable to partner	46,536	-
Bank loan and overdrafts	19,665	-
Other creditors	3,750	363
	-----	-----
	91,371	19,278
	=====	=====

## SKILLNET EDINBURGH

### NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 March 2008

#### 12. COMMITMENTS UNDER OPERATING LEASES

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Operating leases which expires:		
Within 1 year	13,357	-
2 – 5 years	-	15,471
	<u>          </u>	<u>          </u>

At 31<sup>st</sup> March 2008 the company had annual commitments under operating leases as set out below.

The company rents its premises at an annual rental of £13,357. This sum includes utilities and maintenance charges.

#### 13. RELATED PARTY TRANSACTIONS

No transactions were undertaken during the year such as are required to be disclosed under the Financial Reporting Standard for Smaller Entities.

#### 14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	<b>General Funds</b>	<b>Restricted Funds</b>	<b>Total Funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Current Assets	10,544	84,409	94,953
Current Liabilities	(9,536)	(81,835)	(91,371)
	<u>          </u>	<u>          </u>	<u>          </u>
	1,008	2,574	3,582
	<u>          </u>	<u>          </u>	<u>          </u>

## SKILLNET EDINBURGH

### NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 March 2008

#### 15. MOVEMENTS IN FUNDS

	At 1 April 2007 £	Incoming Resources £	Outgoing Resources £	Transfers £	At 31 March 2008 £
<b>Restricted funds :</b>					
Big Lottery Fund – Mind 2 Work	(374)	64,619	(57,862)	(6,383)	-
ESF – Black Community Skills Project	-	104,116	(116,835)	12,719	-
Empower	-	23,092	(20,518)	-	2,574
One City Trust	5,000	-	(4,930)	(70)	-
The Robertson Trust	-	5,000	(4,930)	(70)	-
Skilltech	-	273	(378)	105	-
	-----	-----	-----	-----	-----
<b>Total restricted funds</b>	4,626	197,100	(205,453)	6,301	2,574
<b>Unrestricted funds</b>	1,989	7,971	(2,651)	(6,301)	1,008
	-----	-----	-----	-----	-----
<b>Total funds</b>	6,615	205,071	(208,104)	-	3,582
	=====	=====	=====	=====	=====

#### Purposes of restricted funds

**Big Lottery Fund:** The Mind2Work project aim to work with men who have experienced mental ill-health. Through a program of training, one-to-one support, mentoring and advocacy, the project aims to develop the core skills of clients in order to increase opportunities for employment, education and training.

**ESF: The Black Community Skills Project** is a partnership project between Skillnet Edinburgh and BCDP that aims to develop training and support programmes to assist people into employment, education or training. Skillnet Edinburgh is the lead partner.

**EMPOWER:** EMPOWER is a partnership between voluntary sector, further education institutes and local authorities, developing innovative programmes to address the lack of opportunity for bme communities to access mainstream services and provisions. Within EMPOWER, Skillnet developed work around mentoring and advocacy, including peer-to-peer support networks, and access to leisure industries through training and accreditation.

**One City Trust:** To support the employment of a work placement development worker

**Robertson Trust:** To support the employment of a work placement development worker

## SKILLNET EDINBURGH

### NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 March 2008

#### 16. Transfers

Funding received through the Big Lottery was used to match the ESF funded Black Community Skills Project. A transfer of £6,383 was made at the year end to match eligible costs incurred and allocated to the ESF restricted fund and meet the match funding requirement the ESF programme. Small, similar, transfers were made between restricted funds to the ESF fund, and the Board of Skillnet agreed to transfer £653 from unrestricted reserves as match funding.

#### 17. Pensions

Skillnet participates in the Scottish Voluntary Sector Pensions Scheme. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme operated a single benefit structure, final salary with a 1/60<sup>th</sup> accrual rate until 30 September 2007. From October 2007 there are two benefit structures available. These are final salary with a 1/60<sup>th</sup> accrual rate and final salary with an 1/80<sup>th</sup> accrual rate.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Skillnet Edinburgh has elected to operate the final salary with a 1/60<sup>th</sup> accrual rate benefit structure for active members as at 1<sup>st</sup> October 2007 and the final salary with an 1/60<sup>th</sup> accrual rate benefit structure for new entrants from 1<sup>st</sup> October 2007.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Skillnet Edinburgh paid contributions at the rate of 12.0% for the period to 30 September 2007 and 15.2% thereafter. Member contributions were 6.0% for the period to 30 September 2007 and 7.5% thereafter.

As at the balance sheet date there were 2 active members of the Scheme employed by Skillnet Edinburgh. The annual pensionable payroll in respect of these members was £42,648. Skillnet Edinburgh continues to offer membership of the Scheme to its employees.

## SKILLNET EDINBURGH

### NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 March 2008

#### 17. Pensions (continued)

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £33.2 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £6.7 million (equivalent to a past service funding level of 83%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £45.2 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £8 million, equivalent to a past service funding level of 85%. Annual funding updates of the SVSPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

#### Financial assumptions

The financial assumptions underlying the valuation were as follows:

	<b>% pa</b>
Investment return pre retirement	6.1
Investment return post retirement	4.8
Rate of salary increases	4.0
Rate of pension increases	
for pensionable service pre 6 April 2005	2.5
for pensionable service post 6 April 2005	2.25
Rate of price inflation	2.5

## SKILLNET EDINBURGH

### NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 March 2008

#### 17. Pensions (Continued)

The long term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary 1/60 <sup>th</sup> accrual rate	20% comprising employer contributions of 12.5% and member contributions of 7.5% or employer contributions of 14.0% and member contributions of 6.0%
Final salary 1/80 <sup>th</sup> accrual rate	15.3% comprising employer contributions of 9.3% and member contributions of 6.0%

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. In view of the past service shortfall it was agreed that the joint contribution rates shown in the table below would be payable with effect from 1 October 2007.

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary 1/60 <sup>th</sup> accrual rate	22.7% comprising employer contributions of 15.2% and member contributions of 7.5% or employer contributions of 16.7% and member contributions of 6.0%
Final salary 1/80 <sup>th</sup> accrual rate	18.0% comprising employer contributions of 12.0% and member contributions of 6.0%

New employers joining the Scheme pay contributions at the ongoing employer future service contribution rate. This rate applies from the date the employer joins the Scheme to the date of the second actuarial valuation of the Scheme following the date of joining.

New employers also pay an additional age loading if the average age of their members is higher than the average age of the Scheme membership. This loading applies from the date the employer joins the Scheme to the date of the second actuarial valuation of the Scheme following the date of joining, or such earlier date as agreed between SVSPS Pensions Committee and the Scheme Actuary.

## SKILLNET EDINBURGH

### NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 March 2008

#### 17. Pensions (Continued)

Employers that have closed the scheme to new entrants are required to pay an additional contribution loading to reflect the higher costs of a closed arrangement. This loading is based on actuarial advice and is subject to change from time to time. The loading is currently 3.5%.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis, by 31 March 2022.

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan).

The Regulator has reviewed the recovery plan for the Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next actuarial valuation of the Scheme will be carried out as at 30 September 2008.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

#### Contingent liability

The directors of Skillnet Edinburgh have been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2005. As at this date the estimated employer debt for the charity was £169,000.