

REFORM SCOTLAND
(A company limited by guarantee)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

Company Registration Number: SC336414

Registered Charity Number: SC039624

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REFORM SCOTLAND
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REFORM SCOTLAND
MEMBERS OF THE BOARD AND PROFESSIONAL ADVISERS

| | |
|-------------------------------|--|
| The board of directors | B Thomson I d'Inverno J Aitken A Haldenby G Blackett (appointed 8/12/09) D Macdonald (appointed 9/12/09) J Thomson (resigned 30/6/09) G Stewart (resigned 3/11/09) A Harvie (resigned 31/3/10) |
| Company secretary | G Mawdsley |
| Registered office | The Executive Centre 7-9 North St David Street Edinburgh EH2 1AW |
| Accountants | Jamieson Campbell Chartered Accountants 350 Lanark Road West Edinburgh EH14 5RR |
| Auditors | Brian Maloney Registered Auditor 15a West End West Calder EH55 8EH |
| Solicitors | Dundas & Wilson Saltire Court 20 Castle Terrace Edinburgh EH1 2EN |

**REFORM SCOTLAND
DIRECTORS' ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2010**

The directors have pleasure in presenting their report and the audited financial statements of the charitable company for the year ended 31 March 2010. This report is prepared in accordance with the recommendations of the Statement of Recommended Practice - Accounting and Reporting by Charities and complies with applicable law. It complies with the guidelines set out by the Office of the Scottish Charity Regulator. The accounts are audited (see page 7-8).

Structure, governance and management

Governing document

The charitable company was incorporated on 18 January 2008 as a private company limited by guarantee and was registered with the Office of the Scottish Charity Regulator on 2 June 2008 and recognised as a charity by HM Revenue and Customs on 6 June 2008. The charitable company was established under a Memorandum of Association which establishes the objects and powers of the charitable company and is governed under its Articles of Association. It is governed by a board of directors, who are directors for the purpose of company law and trustees for the purpose of charity law. The company began trading on 18 January 2008.

The board of directors

The charitable company's directors need to bring expertise to the three main areas of activity the charitable company undertakes to fulfil its purpose: knowledge and understanding of the Scottish business community, whence most voluntary donations come; experience in economics and public policy, to guide the output of the charitable company; and experience of the public domain, including the media, which allows the charitable company to disseminate the results of its educational research to the Scottish public in general. The directors have extensive experience and skills in these three areas. They are also experienced in the governance of companies and charities similar to Reform Scotland so little formal training is required to be provided by the charitable company.

Risk management

The directors have assessed the major risks to which the charitable company is exposed and are satisfied that systems have been implemented to manage exposure to these risks.

Organisational Structure

The members of the charitable company consist of:

- The founder members
- The directors of the charitable company
- Any person as admitted by the board of directors

Each member has one vote.

**REFORM SCOTLAND
DIRECTORS' ANNUAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2010**

Organisational structure (cont'd)

Members of the charitable company guarantee to contribute an amount not exceeding £1 in the event of winding up. The total number of such guarantees at 31 March 2010 was 6.

The first directors of the charitable company were the founder members. The number of directors cannot be less than 2, nor exceed 25. The board of directors can appoint any person as a director subject to the conditions stated.

The directors are not entitled to receive any remuneration from the charitable company.

Day-to-day management of the charitable company is delegated to G Mawdsley, who has the title of director.

Objectives and activities

The objectives of the charitable company are:

- To promote the education of the Scottish community by carrying out research using robust and objective methods;
- To publish reports and research papers on a range of public policy issues;
- To issue briefing notes and updates analysing developments in public policy;
- To arrange seminars, lectures and other public events in public policy and related topics.

Achievements and performance in year

Reports

Reform Scotland made progress in its stated aims in the year to 31 March 2010. It published six further pieces of research during this year covering various aspects of public policy. All are available for free from www.reformscotland.com:

Patient Power (April 2009)

Power to Connect (June 2009)

Power to Build (October 2009)

Fiscal Powers 2nd Edition (October 2009)

Democratic Power (February 2010)

Voluntary Power Consultation Document (March 2010)

Further reports are planned in the coming year covering public policy as it relates to further/ higher education, digital infrastructure, housing/planning and energy.

**REFORM SCOTLAND
DIRECTORS' ANNUAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2010**

Achievements and performance in year (cont'd)

Reform Scotland has also issued a number of briefing notes covering developments in public policy, particularly in relation to educational attainment and greater fiscal powers for the Scottish Parliament. In addition, written evidence was submitted to the Independent Budget Review Group set up by the Scottish Government and to both the Scottish Parliament's Finance and Education & Lifelong Learning Committees.

Media summary

A media summary has been sent out by email on a daily basis. This is a free information service which aims to encapsulate the public policy debate surrounding the economy and public services in Scotland. This is currently distributed to around three thousand people and is available free from the Reform Scotland website www.reformscotland.com.

Promotion

Reform Scotland seeks to promote its activities to a wide range of people and organisations involved in the public policy debate in Scotland with copies of all reports sent to a cross-section of individuals either in hard copy or electronic form.

During the year, Reform Scotland held a number of open, public events including a seminar on the future of the UK constitution in London with speakers such as Frank Field MP, Lord Wallace and Fraser Nelson, editor of The Spectator; as well as a spring lecture by EU Commissioner Charlie McCreevy. Together these two events attracted over 200 people from a range of backgrounds.

A second annual dinner was held on 8 March with 200 guests which was addressed by the then Deputy Leader of the Liberal Democrats Vince Cable MP.

An Essay Competition for young people in Scotland was held in conjunction with The Sunday Times Scotland with a distinguished panel of judges including bestselling author Ian Rankin. Reform Scotland also sponsored a motion in the English Speaking Union's Scottish Schools Debating Competition involving 80 schools from across Scotland.

There was also considerable media interest in Reform Scotland's work with Reform Scotland or its representatives having appeared in the print or broadcast media on well over two hundred occasions since the organisation was established. Reform Scotland's website has also attracted around one and a half million web hits since it was set up.

Financial review

The climate for raising funds for the charitable company has been more challenging this year due to the economic downturn, however since the year end additional donations have been obtained and the directors believe that the charity now has sufficient funding in place to support its activities over the next twelve months. In order to maintain its independence, as well as its freedom from commercial or political considerations, Reform Scotland does not accept commissions to undertake work, nor does it accept money from government organisations. This means that it must raise funds for no immediate gain to the donor and there may be no immediate evidence of success because of the long term educational nature of its work.

**REFORM SCOTLAND
DIRECTORS' ANNUAL REPORT (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2010**

Statement of 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 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 concern 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 2006. 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.

In accordance with company law, as the Company's directors, we certify that:

- so far as we are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- as the directors of the Company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

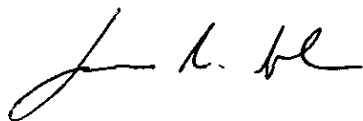
Auditors

A resolution to re-appoint Brian Maloney & Co as auditors will be proposed at the annual general meeting.

Registered office:

The Executive Centre
7-9 North St David Street
Edinburgh
EH2 1AW

Signed by order of the Directors


JAMES AITKEN

Approved by the Directors on.....23/12/10.....

AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS OF REFORM SCOTLAND

This report is issued in respect of an audit carried out under Section 235 of the Companies Act 2006 and Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

We have audited the financial statements of Reform Scotland for the year ended 31st March 2010 which comprise the statement of financial activities, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies as set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

Respective responsibilities of trustees and auditors

As described in the statement of directors' responsibilities, the company's trustees (who are also the directors for the purposes of company law) are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice.)

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

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

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with those financial statements.

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

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the legal and administrative information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Basis of 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 judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

**AUDITOR'S REPORT TO THE MEMBERS OF
REFORM SCOTLAND (CONT'D)**

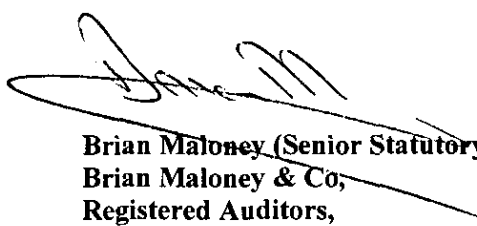
Basis of opinion (continued)

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

Opinion

In our opinion:

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



Brian Maloney (Senior Statutory Auditor)
Brian Maloney & Co,
Registered Auditors,
15a West End,
West Calder
EH55 8EH

Date

24/12/10

REFORM SCOTLAND
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2010

| | NOTE | Unrestricted funds £ | Restricted funds £ | Total funds 2010 £ | Total funds 2009 £ |
|---|------|----------------------------|--------------------------|--------------------------|--------------------------|
| Incoming resources from | | | | | |
| Generated funds: | | | | | |
| Voluntary income | | | | | |
| Donations and grants | 2 | 186,014 | - | 186,014 | 257,106 |
| Activities for generating Funds: | | | | | |
| Investment income | | - | - | - | - |
| Incoming resources from charitable activities: | | | | | |
| Other income | | - | - | - | 100 |
| Total incoming resources | | <u>186,014</u> | <u>-</u> | <u>186,014</u> | <u>257,206</u> |
| Resources expended | | | | | |
| Charitable activities | 3 | 153,033 | - | 153,033 | 216,922 |
| Governance costs | 4 | 34,089 | - | 34,089 | 53,861 |
| Total resources expended | | <u>187,122</u> | <u>-</u> | <u>187,122</u> | <u>270,783</u> |
| Net outgoing resources before other recognised gains | | (1,108) | - | (1,108) | (13,577) |
| Other recognised (losses)/gains: | | | | | |
| Unrealised investment (loss)/gain | | - | - | - | - |
| Net movement in funds | | <u>(1,108)</u> | <u>-</u> | <u>(1,108)</u> | <u>(13,577)</u> |
| Total Funds brought forward | | (13,577) | - | (13,577) | - |
| Total Funds carried forward | 8 | <u>(14,685)</u> | <u>-</u> | <u>(14,685)</u> | <u>(13,577)</u> |

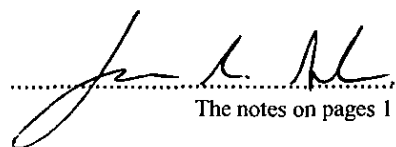
The statement of financial activities includes all gains and losses in the year. All incoming resources and resources expended derive from continuing activities.

**REFORM SCOTLAND
BALANCE SHEET
AS AT 31 MARCH 2010**

COMPANY NO: SC336414

| | NOTE | 2010 £ | 2009 £ |
|---|------|-----------|-----------|
| FIXED ASSETS | | | |
| Tangible fixed assets | 5 | 5,835 | 6,598 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Debtors | 6 | 1,000 | 3,100 |
| | | <hr/> | <hr/> |
| CREDITORS: Amounts falling due within one year | 7 | (21,520) | (23,275) |
| | | <hr/> | <hr/> |
| NET CURRENT LIABILITIES | | (20,520) | (20,175) |
| | | <hr/> | <hr/> |
| NET LIABILITIES | | (14,685) | (13,577) |
| | | <hr/> | <hr/> |
| FUNDS | | | |
| Unrestricted | 8 | (14,685) | (13,577) |
| Restricted Funds | 8 | - | - |
| | | <hr/> | <hr/> |
| TOTAL FUNDS | | (14,685) | (13,577) |
| | | <hr/> | <hr/> |

These financial statements are prepared in accordance with the special provisions of part 13 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008) and were approved by the members of the committee on and are signed on their behalf by:



23/12/10

The notes on pages 11 to 14 form part of these financial statements

JAMES AITKEN

REFORM SCOTLAND
NOTES ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), Companies Act 2006 and follow the recommendations in Reporting by Charities: Statement of Recommended Practice (SORP) issued in March 2005.

(b) Fund accounting

Unrestricted funds are available for use at the discretion of the directors in furtherance of the general objectives of the charity.

(c) 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 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.
- Donated services and facilities are included at the value to the charity where this can be quantified.
- Investment income is included when receivable.
- Incoming resources from charitable activities are accounted for when earned.

(d) 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 is shown gross of irrecoverable VAT. All costs have been attributed to categories in the Statement of Financial Activities as follows:

- Costs of generating funds comprise the costs associated with attracting voluntary income.
- 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 allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity.

(e) Tangible Fixed assets

Provision is made for the depreciation of fixed assets in order to write off the cost or valuation of these assets over their expected useful lives.

The annual depreciation rates and methods are as follows:

Office equipment – 20% straight line

REFORM SCOTLAND
NOTES ON THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2010

2. DONATION & GIFTS

| | 2010 | 2010 | 2010 | 2009 |
|-----------|-----------------|---------------|----------------|----------------|
| | Unrest'd | Rest'd | Total | Total |
| | £ | £ | £ | £ |
| Donations | 168,417 | - | 168,417 | 225,365 |
| Gift Aid | 17,597 | - | 17,597 | 31,741 |
| | <u>186,014</u> | <u>-</u> | <u>186,014</u> | <u>257,106</u> |

3. DIRECT CHARITABLE EXPENDITURE

| | 2010 | 2010 | Total | Total |
|-----------------------------|-----------------|---------------|----------------|----------------|
| | Unrest'd | Rest'd | funds | funds |
| | £ | £ | 2010 | 2009 |
| | £ | £ | £ | £ |
| Events | 33,023 | - | 33,023 | 32,004 |
| Reports | 12,156 | - | 12,156 | 23,058 |
| Newspapers | 2,452 | - | 2,452 | 2,347 |
| Advertising & promotion | - | - | - | 2,171 |
| Consultancy fees | 23,250 | - | 23,250 | 32,250 |
| Wages and Salaries (Note 9) | 82,152 | - | 82,152 | 125,092 |
| | <u>153,033</u> | <u>-</u> | <u>153,033</u> | <u>216,922</u> |

4. GOVERNANCE COSTS OF THE CHARITY

| | 2010 | 2009 |
|----------------------------------|---------------|---------------|
| | £ | £ |
| Rent | 14,863 | 19,699 |
| Telephone | 1,132 | 2,545 |
| Printing, stationery and postage | 5,718 | 8,543 |
| Computer & IT expenses | 3,869 | 14,305 |
| Travel and subsistence | 1,627 | 2,712 |
| Entertaining | 734 | 1,283 |
| Bank charges | 491 | 567 |
| Bank interest | 503 | 74 |
| Sundry expenses | 274 | 794 |
| Depreciation | 1,871 | 1,649 |
| Professional fees | 2,257 | 940 |
| Accounting fees | 750 | 750 |
| | <u>34,089</u> | <u>53,861</u> |

REFORM SCOTLAND
NOTES ON THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2010

5. TANGIBLE FIXED ASSETS

| | Office Equipment £ |
|-----------------------|-----------------------------------|
| Cost | |
| As at 1 April 2009 | 8,247 |
| Additions | 1,108 |
| Disposals | - |
| As at 31 March 2010 | <u>9,355</u> |
| Depreciation | |
| As at 1 April 2009 | 1,649 |
| Charge for the year | 1,871 |
| On disposals | - |
| At 31 March 2010 | <u>3,520</u> |
| Net Book Value | |
| As at 31 March 2010 | <u>5,835</u> |
| As at 31 March 2009 | <u>6,598</u> |

6. DEBTORS

| | 2010 £ | 2009 £ |
|----------------|-------------------|-------------------|
| Sundry debtors | 1,000 | 3,100 |
| | <u>1,000</u> | <u>3,100</u> |

7. CREDITORS: Amounts Falling Due within one year

| | 2010 £ | 2009 £ |
|------------------------------|-------------------|-------------------|
| Bank overdraft | 10,854 | 3,735 |
| Taxation and social security | 2,581 | 668 |
| Other creditors and accruals | 8,085 | 18,872 |
| | <u>21,520</u> | <u>23,275</u> |

REFORM SCOTLAND
NOTES ON THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2010

8. MOVEMENTS IN FUNDS

| | As at 1 Apr 09 £ | Incoming £ | Outgoing £ | As at 31 Mar 10 £ |
|---------------------------|------------------------|----------------|------------------|-------------------------|
| Unrestricted Funds | | | | |
| Income funds | (13,577) | 186,014 | (187,122) | (14,685) |
| Total Funds | <u>(13,577)</u> | <u>186,014</u> | <u>(187,122)</u> | <u>(14,685)</u> |

9. STAFF COSTS AND DIRECTORS' REMUNERATION

| | 2010 £ | 2009 £ |
|-----------------------|---------------|----------------|
| Wages and salaries | 74,198 | 111,674 |
| Social security costs | 7,954 | 13,118 |
| Recruitment costs | - | 300 |
| | <u>82,152</u> | <u>125,092</u> |

No director received remuneration during the year.

10. COMPANY LIMITED BY GUARANTEE

In the event of the company being wound up the members agree to contribute such amount as may be required not exceeding £1.

11. RELATED PARTY TRANSACTIONS

The following directors made donations to Reform Scotland during the year to 31 March 2010:

J Thomson £5,000; B Thomson £27,000; G Stewart £3,000; A Harvie £1,000; I d'Inverno £1,500;
J Aitken £500; Dan Macdonald £12,500