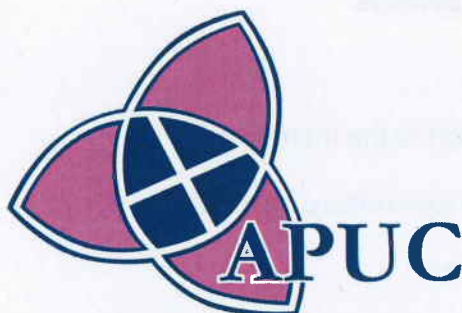


Company Registration Number SC314764



**Advanced Procurement
for Universities & Colleges**

**APUC LIMITED
COMPANY LIMITED BY GUARANTEE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2010**

**APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010**

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APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors	N A L Paul – Chairman A Warren A J Williamson D C H Ross D S MacKellar J Crooks P Briggs R A Kennedy S Paterson S P McKillop
Company Secretary	H Ross
Registered Office	14 New Mart Road EDINBURGH EH14 1RL
Auditor	Chiene + Tait Chartered Accountants & Statutory Auditor 61 Dublin Street EDINBURGH EH3 6NL
Bankers	Bank of Scotland 1 Ardmillan Terrace EDINBURGH EH11 2JH
Solicitors	Brodies LLP 15 Atholl Crescent EDINBURGH EH3 8HA

APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

THE DIRECTORS' REPORT
FOR THE YEAR ENDED 31 JULY 2010

The directors present their report and the financial statements of the company and the group for the year ended 31 July 2010.

Principal activities

The principal activity of the group during the year was the provision of procurement services and guidance in order to achieve value for money for Scotland's 62 Universities and Colleges.

Directors

The directors who served the company during the year are shown on page 2.

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the surplus or deficit of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that he/she ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the small companies regime of the Companies Act 2006.

Signed on behalf of the directors
N A L Paul, Chairman

Approved by the directors on 16 October 2010

**APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APUC LIMITED

We have audited the financial statements of APUC Limited for the year ended 31 July 2010 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 July 2010 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APUC LIMITED
(continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.

Malcolm A Beveridge

Malcolm Beveridge BA CA (Senior Statutory Auditor)
For and on behalf of
CHIENE + TAIT
Chartered Accountants & Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

18 OCTOBER 2010

APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2010

		2010	2009
	Note	£	£
Turnover	1	2,888,559	4,105,684
Administrative expenses	2	2,888,559	4,105,684
Operating surplus	3	<u>-</u>	<u>-</u>
Interest receivable		2,964	64,062
Surplus on ordinary activities before taxation		<u>2,964</u>	<u>64,062</u>
Tax on surplus on ordinary activities	5	622	13,084
Surplus for the year		<u>2,342</u>	<u>50,978</u>

The notes on pages 9 to 16 form part of these financial statements.

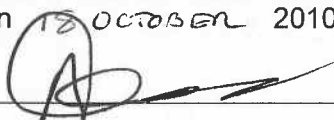
APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2010

	Note	£	2010 £	£	2009 £
Fixed assets					
Tangible assets	6		29,620		57,521
Current assets					
Debtors	8	142,049		243,097	
Cash at bank		<u>705,455</u>		<u>458,504</u>	
		847,504		701,601	
Creditors: amounts falling due within one year	9	<u>769,293</u>		<u>638,729</u>	
Net current assets			78,211		62,872
Total assets less current liabilities			<u>107,831</u>		<u>120,393</u>
Creditors: amounts falling due after more than one year	10		16,231		31,135
			<u>91,600</u>		<u>89,258</u>
Reserves					
Income and expenditure account	15		91,600		89,258
			<u>91,600</u>		<u>89,258</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 and the Financial Reporting Standard for Smaller Entities (effective April 2008) relating to small companies.

These financial statements were approved by the directors and authorised for issue on 18 OCTOBER 2010, and are signed on their behalf:



A Warren
Chief Executive



N A L Paul
Chairman

Company No: SC314764

The notes on pages 9 to 16 form part of these financial statements.


APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

COMPANY BALANCE SHEET
AS AT 31 JULY 2010

	Note	£	2010 £	£	2009 £
Fixed assets					
Tangible assets	6		29,620		57,521
Investments	7		<u>1</u>		<u>-</u>
			29,621		57,521
Current assets					
Debtors	8	142,049		243,097	
Cash at bank		<u>705,455</u>		<u>458,504</u>	
		847,504		701,601	
Creditors: amounts falling due within one year	9	<u>769,294</u>		<u>638,729</u>	
Net current assets			78,210		62,872
Total assets less current liabilities			<u>107,831</u>		<u>120,393</u>
Creditors: amounts falling due after more than one year	10		16,231		31,135
			<u>91,600</u>		<u>89,258</u>
Reserves					
Income and expenditure account	15		91,600		89,258
			<u>91,600</u>		<u>89,258</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 and the Financial Reporting Standard for Smaller Entities (effective April 2008) relating to small companies.

These financial statements were approved by the directors and authorised for issue on 17 October 2010, and are signed on their behalf:



A Warren
Chief Executive



N A L Paul
Chairman

Company No: SC314764

The notes on pages 9 to 16 form part of these financial statements.

APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (FRSSE) (effective April 2008).

Going concern

The financial statements have been prepared on the going concern basis.

The company has secured funding from the Scottish Funding Council of £2.330m for 2010-2011. They have prepared budgets and cashflow projections which indicate that they will be able to operate within the agreed funding level.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company for the year ended 31 July 2010 and of its new subsidiary company, UCSS Limited, from incorporation on 6 April 2010 to 31 July 2010.

The company has taken advantage of the exemptions under section 408 of the Companies Act 2006 not to prepare an individual income and expenditure account for the parent company. The surplus for the year dealt with in the financial statements of the company was £2,342 (2009: £50,978).

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Cash flow statement

The company is the parent of a small group and has voluntarily prepared consolidated financial statements. The company is exempt under the requirements of the FRSSE from publishing a consolidated cash flow statement.

Turnover

The turnover shown in the income and expenditure accounts represents grants received and receivable during the year.

Fixed assets

All fixed assets are initially recorded at cost. Assets costing less than £5,000 are written off to the income and expenditure account in the year of purchase.

Depreciation

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:

Fixtures & Fittings	-	7 years
Computer equipment	-	3 years

Grants

Grants of a revenue nature are credited to the income and expenditure account in the year which they accrue. Grants for the purchase of fixed assets are treated as deferred income and credited to the income and expenditure account over the estimated useful life of the relevant assets.

APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (Cont)

Pensions

APUC Limited participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee administered fund. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Operating lease charges

Rentals payable under operating leases are charged to the income and expenditure account in the period to which they relate.

Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRSSE 2008. Deferred tax is provided on the liability method to take account of timing differences between the treatment for certain items for accounts purposes and the treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

	2010 £	2009 £
2. Administration expenses		
Staff	1,715,718	1,766,872
Non executive directors' honoraria	9,338	10,629
Premises	142,576	130,188
Consultants & contractors	67,791	61,215
ePS	681,052	1,652,134
Administration	272,084	484,646
	<u>2,888,559</u>	<u>4,105,684</u>
3. Operating surplus		
Operating surplus is stated after charging:		
Depreciation of owned fixed assets	27,901	51,749
Auditor's fees	<u>2,751</u>	<u>2,649</u>

APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (Cont)

4. Staff costs	2010	2009
	£	£
Salaries	1,475,170	1,528,857
Social security costs	141,272	147,479
Other pension costs	99,276	90,536
	<u>1,715,718</u>	<u>1,766,872</u>
The average monthly number of employees	<u>39</u>	<u>44</u>

The directors' aggregate emoluments in respect of qualifying services were:

Aggregate emoluments		
Executive director	87,000	82,803
Non executive directors' honorarium	9,338	10,629
Value of company pension contributions under defined benefit scheme	13,630	6,421
	<u>109,968</u>	<u>99,853</u>

The above costs include fees and pensions contributions of £Nil (2009: £27,454) which have been paid to third parties in respect of services provided by directors.

The number of directors at the year end who accrued benefits under the company pension schemes was:

Defined benefit scheme	<u>1</u>	<u>1</u>
------------------------	----------	----------

5. Taxation on ordinary activities	2010	2009
	£	£
Current tax:		
UK Corporation tax based on the results for the year	<u>622</u>	<u>13,084</u>

6. Tangible fixed assets – group and company

	Fixtures & Fittings	Computer Equipment	Total
	£	£	£
Cost			
As at 1 Aug 2009	53,742	91,992	145,734
Additions	-	-	-
As at 31 Jul 2010	<u>53,742</u>	<u>91,992</u>	<u>145,734</u>
Depreciation			
As at 1 Aug 2009	24,800	63,413	88,213
Charge for the year	6,356	21,545	27,901
As at 31 Jul 2010	<u>31,156</u>	<u>84,958</u>	<u>116,114</u>
Opening net book value	28,942	28,579	57,521
Closing net book value	22,586	7,034	29,620

APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (Cont)

7. Investments – company	2010	2009
	£	£
Investment in subsidiary	<u>1</u>	<u>-</u>

The investment represents the cost of the parent undertaking's shareholding (1 ordinary £1 share) in its wholly owned subsidiary, UCSS Limited, a company registered in Scotland. The principal activity of UCSS Limited is the provision of procurement services.

8. Debtors – group and company	2010	2009
	£	£
Capital procurement grant receivable	90,772	218,811
Prepayments and accrued income	51,277	24,286
	<u>142,049</u>	<u>243,097</u>

9. Creditors: amounts falling due within one year	2010		2009	
	Group	Company	Group	Company
	£	£	£	£
Amounts owed to group undertakings	-	11,496	-	-
Corporation tax	622	622	13,084	13,084
PAYE & social security	39,469	27,974	46,302	46,302
Deferred capital grants	13,388	13,388	26,386	26,386
Deferred grant income	652,594	652,594	534,383	534,383
Accruals	63,220	63,220	18,574	18,574
	<u>769,293</u>	<u>769,294</u>	<u>638,729</u>	<u>638,729</u>

10. Creditors: amounts falling due after more than one year – group and company	2010	2009
	£	£
Deferred capital grants	<u>16,231</u>	<u>31,135</u>

11. Operating lease commitments		
Land & buildings - annual commitments:		
Less than one year	13,000	-
Two to five years	<u>-</u>	<u>78,000</u>

APUC Ltd has rental commitments for the premises at 14 New Mart Road as shown above. APUC Ltd took up the option of a three year break in the lease, notifying the lessor on 23 March 2010, with the lease expiring on 1 November 2010.

APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (Cont)

12. Ultimate controlling party

The company has no ultimate controlling party.

13. Related party transactions

During the year the company incurred fees of £Nil (2009: £43,170) from the relevant non-executive directors who undertook work on the Strategic Dialogue project.

14. Company limited by guarantee

The company is limited by guarantee of members and does not have a share capital. The liability of members is limited to £1. On winding up of the company, any surplus assets that exist must be transferred to another body or bodies having objects similar to those of the company.

15. Reconciliation of members' funds and movement on reserves

	2010		2009	
	Group	Company	Group	Company
	£	£	£	£
Opening balance	89,258	89,258	38,280	38,280
Surplus for the year	2,342	2,342	50,978	50,978
Closing balance	91,600	91,600	89,258	89,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (Cont)

16 Pensions

The company participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P) Scheme. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual participants and a scheme-wide contribution rate is set. The company is therefore exposed to actuarial risks associated with other participants' employees and 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 FRS 17 – Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure account represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

At the valuation date, the value of the assets of the scheme was £28,842.6m and the value of the scheme's technical provisions was £28,135.3m indicating a surplus of £707.3m. The assets, therefore, were sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (Cont)

16 Pensions (Contd.)

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004, the Scheme was 107% funded; on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using FRS 17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The scheme-wide contribution rate required for future service benefits alone at the date of valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the participants contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065m). Compared to the previous 12 months, the funding level has improved from 74% (as at 31 March 2009) to 91%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumptions which in turn impacts on the salary and pension increase assumptions).

On the FRS 17 basis, using AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

APUC LIMITED
(COMPANY LIMITED BY GUARANTEE)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (Cont)

16. Pensions (Contd.)

Surpluses or deficits which arise at future valuations may impact on the company's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer, will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and the company had 14 active members participating in the scheme.

The contribution rate payable by the company was 16% of pensionable salaries.

Employer contributions payable to the scheme for the year amount to £99,276 (2009: £82,688) with no contributions payable outstanding at the balance sheet date.

In addition to the above, the company also made defined contributions on behalf of certain directors and staff of £Nil (2009: £7,848).