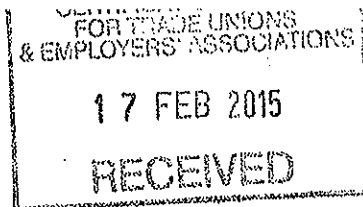


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FORM AR21



Trade Union and Labour Relations (Consolidation) Act 1992

ANNUAL RETURN FOR A TRADE UNION

Name of Trade Union:

EDUCATIONAL INSTITUTE OF SCOTLAND

Year ended:

31 AUGUST 2014

List no:

035T

Head or Main Office:

46 MORAY PLACE
EDINBURGH
EH3 6BH

Website Address

www.eis.org.uk

Has the address changed during the year to which the return relates?

Yes

No

(Click the appropriate box)

General Secretary:

LARRY FLANAGAN

Telephone Number:

01312256244

Contact name for queries regarding the completion of this return:

COLIN MACKENZIE

Telephone Number:

01312256244

E-mail:

cmackenzie@eis.org.uk

PLEASE FOLLOW THE GUIDANCE NOTES IN THE COMPLETION OF THIS RETURN.

Any difficulties or problems in the completion of this return should be directed to the Certification Officer as below or by telephone to: 020 7210 3734

The address to which returns and other documents should be sent are:

For Unions based in England and Wales:

Certification Office for Trade Unions and Employers' Associations
22nd Floor, Euston Tower, 286 Euston Road, London NW1 3JJ

For Unions based in Scotland:

Certification Office for Trade Unions and Employers' Associations
Melrose House, 69a George Street, Edinburgh EH2 2JG

Assistant Certification Officer
for Scotland

12 FEB 2015

Received

RETURN OF MEMBERS

(see notes 10 and 11)

	NUMBER OF MEMBERS AT THE END OF THE YEAR				
	Great Britain	Northern Ireland	Irish Republic	Elsewhere Abroad (including Channel Islands)	TOTALS
MALE	12,457			12	12,469
FEMALE	42,073			38	42,111
TOTAL	54,530			50	A 54,580

Number of members included in totals box 'A' above for whom no home or authorised address is held:

None
53,129

Number of members at end of year contributing to the General Fund

OFFICERS IN POST

(see note 12)

Please attach as an annexe to this form a complete list of all officers in post at the end of the year to which this form relates, with the title of each persons office.

RETURN OF CHANGE OF OFFICERS

Please complete the following to record any changes of officers during the twelve months covered by this return.

Title of Office	Name of Officer ceasing to hold office	Name of Officer Appointed	Date
President	Phil Jackson	Tommy Castles	June 2014
Vice-President	Tommy Castles	Patricia Duncan	June 2014

State whether the union is:

a. A branch of another trade union?

Yes

No /

If yes, state the name of that other union:

b. A federation of trade unions?

Yes

No /

If yes, state the number of affiliated unions:

and names:

GENERAL FUND

(see notes 13 to 18)

	£	£
INCOME		
From Members: Contributions and Subscriptions		5,528,941
From Members: Other income from members (specify)		
Total other income from members		
Total of all income from members		5,528,941
Investment income (as at page 12)		533,201
Other Income		
Income from Federations and other bodies (as at page 4)		
Income from any other sources (as at page 4)	458,028	
Total of other income (as at page 4)		458,028
	TOTAL INCOME	6,520,170
EXPENDITURE		
Benefits to members (as at page 5)		1,428,994
Administrative expenses (as at page 10)		3,836,019
Federation and other bodies (specify)		
TUC /STUC Affiliations	214,849	
Education International	86,661	
International Aid	56,131	
Miscellaneous Affiliations/Research Commissions	60,040	
Total expenditure Federation and other bodies		417,681
	TOTAL EXPENDITURE	5,682,694
Surplus for year		837,476
Adjustments from FRS 17-Pensions		41,000
Increase in International Aid Fund		44,131
Additional Employer Contributions to Pension Scheme		(256,461)
Decrease in Property Refurbishment Fund		(62,741)
Depreciation Released on Property Revaluation		67,442
Increase in Value of Property		600,000
Amount of General Fund at beginning of year		14,681,106
Amount of General Fund at end of year		15,951,953

ANALYSIS OF INCOME FROM FEDERATION AND OTHER BODIES AND OTHER INCOME

(see notes 19 and 20)

DESCRIPTION	£	£
Federation and other bodies		
TOTAL FEDERATION AND OTHER BODIES		
Other income		
Profit / (Loss) on Realisation of Investments	438,920	
Commission	19,108	
TOTAL OTHER INCOME		458,028
TOTAL OF ALL OTHER INCOME		458,028

ANALYSIS OF BENEFIT EXPENDITURE SHOWN AT GENERAL FUND

(see notes 21 to 23)

	£		£
Representation –		brought forward	1,398,955
Employment Related Issues	1,094,194	Education and Training Services	
Representation – Non Employment Related Issues		Negotiated Discount Services	
		Countdown	30,039
Communications			
Scottish Educational Journal	170,447		
Diaries	44,607		
		Salary Costs	
Advisory Services			
Helplines	8,078		
		Other Benefits and Grants (specify)	
Dispute Benefits			
Other Cash Payments			
Members' Insurances	81,629		
carried forward	1,398,955	Total (should agree with figure in General Fund)	1,428,994

(See notes 24 and 25)

FUND 2		Fund Account	
Name:	PROFESSIONAL FUND	£	£
Income			
	From members		282,649
	Investment income (as at page 12)		
	Other income (specify)		
	Profit on Realisation of Investments	79,770	
	Total other income as specified		79,770
	Total Income		362,419
Expenditure			
	Strike Pay	34,820	
	Ballots	35,040	
	GTCS Election Campaign/Promotional Materials	36,796	
	Marches & Rallies	100	
	Investment Management	8,882	
	Administrative expenses and other expenditure (as at page 10)	28,320	
	Total Expenditure		143,958
	Surplus for the year		218,461
	Amount of fund at beginning of year		10,103,332
	Amount of fund at the end of year (as Balance Sheet)		10,321,793
	Number of Members contributing at end of year		NIL

FUND 3		Fund Account	
Name:	LOCAL ASSOCIATION CONSOLIDATED	£	£
Income			
	From members		746,224
	Investment income (as at page 12)		16,171
	Other income (specify)		
	Miscellaneous	20	
	Gain on Disposal of Investments		
	Total other income as specified		20
	Total Income		762,415
Expenditure			
	Administrative expenses and other expenditure (as at page 10)		703,170
	Donations To Benevolent Fund		33,360
	Affiliation Fees		27,402
	Campaign Expenses		
	Benefits to Members		4,699
	Total Expenditure		768,631
	(Deficit) / Surplus for the year		(6,216)
	Amount of fund at beginning of year		3,001,574
	Prior Year Adjustments		6,789
	Amount of fund at the end of year (as Balance Sheet)		3,002,147
	Number of members contributing at end of year		50,575

FUND 4		Fund Account	
Name:		£	£
Income			
	From members		
	Investment income (as at page 12)		
	Other income (specify)		
	Total other income as specified		
	Total Income		
Expenditure			
	Benefits to members		
	Administrative expenses and other expenditure (as at page 10)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		
	Number of members contributing at end of year		

(See notes 24 and 25)

FUND 5		Fund Account	
Name:		£	£
Income			
	From members		
	Investment income (as at page 12)		
	Other income (specify)		
	Total other income as specified		
	Total Income		
Expenditure			
	Benefits to members		
	Administrative expenses and other expenditure (as at page 10)		
	Total Expenditure		
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		
	Number of members contributing at end of year		

POLITICAL FUND ACCOUNT 1		To be completed by trade unions which maintain their own fund	
		£	£
Income	Members contributions and levies		81,742
	Investment income (as at page 12)		50,874
	Other income (specify)		
	Total other income as specified		
	Total income		132,616
Expenditure	Expenditure under section 82 of the Trade Union and Labour Relations (Consolidation) Act 1992 (specify) – Publicity, Printing, Campaign Etc.	16,666	
	Administration expenses in connection with political objects (specify)		
	Investment Management Fees/ Taxation	5,040	
	Non-political expenditure		
	Total expenditure		21,706
	Surplus for year		110,910
	Amount of political fund at beginning of year		1,833,536
	Amount of political fund at the end of year (as Balance Sheet)		1,944,446
	Number of members at end of year contributing to the political fund		44,869
	Number of members at end of the year not contributing to the political fund		***9,711
	Number of members at end of year who have completed an exemption notice and do not therefore contribute to the political fund		6,259

*** Includes Probationer / Long Term Sick etc. members who are not required to pay subscriptions for a prescribed period and Life/Furth of Scotland members who do not pay subscriptions.

ANALYSIS OF ADMINISTRATIVE EXPENSES AND OTHER OUTGOINGS EXCLUDING AMOUNTS CHARGED TO POLITICAL FUND ACCOUNTS

(see notes 32 and 33)

		£
Administrative Expenses		
Remuneration and expenses of staff (Includes £149,000 FRS17 Pension Credit)		2,630,336
Salaries and Wages included in above	2,677,837	
Auditors' fees		35,909
Legal and Professional fees		81,133
Occupancy costs		389,003
Stationery, printing, postage, telephone, etc.		367,341
Expenses of Council & Committees (Head Office)		132,364
Expenses of conferences (AGM and SGM)		143,803
Other administrative expenses (specify)		
Miscellaneous Official Expenses / Functions		6,181
Training Costs / Local Association Secretaries Meetings		25,242
Information Technology Costs		84,916
General Insurance		37,184
Machine Leasing & Maintenance		36,287
Subscription Collection		27,399
Branch Expenses		90,486
Room Hire		13,387
Depreciation & Losses/Gains on Asset Disposals		257,373
Taxation		81,927
Outgoings on land and buildings – Expenses on Let Property		1,590
Internal Conferences		11,353
Visits to Branches		2,368
Expenses of Delegates to Outside Bodies		32,860
Miscellaneous (Including Learning Representatives £45,067)		79,067
	Total	4,567,509
Charged to:	General Fund (Page 3)	3,836,019
	Professional Fund	28,320
	Local Assocn Con Fund	703,170
	Total	4,567,509

ANALYSIS OF OFFICIALS SALARIES AND BENEFITS

(see notes 34 to 44 below)

Office held	Gross Salary £	Employers N.I. contributions £	Benefits			Total £
			Pension Contributions £	Other Benefits		
				Description	Value £	
General Secretary	89,719	10,094	27,275	Car Mileage Payments	70	117,064

ANALYSIS OF INVESTMENT INCOME

(see notes 45 and 46)

	Political Fund £		Other Fund(s) £
Rent from land and buildings			9,750
Dividends (gross) from:			
Equities (e.g. shares)	50,274		788,287
Interest (gross) from:			
Government securities (Gilts)			
Mortgages			
Local Authority Bonds			
Bank and Building Societies	600		33,984
Other investment income (specify)			
	50,874		832,021
		Total investment income	882,895
		Credited to:	
		General Fund (Page 3)	533,201
		Professional Fund (Account)	282,649
		Local Assoc Consol Fund (Account)	16,171
		Political Fund	50,874
		Total Investment Income	882,895

BALANCE SHEET as at 31 AUGUST 2014

(see notes 47 to 50)

Previous Year		£	£
3,166,528	Fixed Assets (at page 14)		3,766,088
	Investments (as per analysis on page 15)		
22,964,480	Quoted (Market value £ 31,126,117)	24,425,229	
2,123,270	Unquoted	1,216,743	
25,087,750	Total Investments		25,641,972
	Other Assets		
	Loans to other trade unions		
693,142	Sundry debtors	773,985	
4,209,742	Cash at bank and in hand	4,566,998	
	Income tax to be recovered		
	Stocks of goods		
	Others (specify)		
4,902,884	Total of other assets		5,340,983
33,157,162	TOTAL ASSETS		34,749,043
14,681,106	General Fund (Account 1)		15,951,953
10,103,332	Professional Fund (Account 2)		10,321,793
3,001,574	Local Association Consolidation Fund (Account 3)		3,002,147
1,833,536	Political Fund (Account)		1,944,446
	Revaluation Reserve		
	LIABILITIES		
	Amount held on behalf of central trade union political fund		
	Loans: From other trade unions		
	Loans: Other		
	Bank overdraft		
	Tax payable		
545,614	Sundry and Long Term Creditors		717,704
2,992,000	Pensions Liabilities		2,811,000
	Provisions		
	Other liabilities		
33,157,162	TOTAL LIABILITIES		34,749,043

FIXED ASSETS ACCOUNT

(see notes 51 to 55)

	Land and Buildings		Furniture and Equipment £	Motor Vehicles £	Not used for union business £	Total £
	Freehold Leasehold £	£				
Cost or Valuation						
At start of year	2,900,000		1,243,446	149,869		4,293,315
Additions			142,961	64,854		207,815
Disposals			(101,099)	(38,075)		(139,174)
Revaluation/Transfers	600,000					600,000
At end of year	3,500,000		1,285,308	176,648		4,961,956
Accumulated Depreciation						
At start of year	67,442		1,000,472	58,873		1,126,787
Charges for year	83,333		138,913	34,658		256,904
Disposals			(99,531)	(20,850)		(120,381)
Revaluation/Transfers	(67,442)					(67,442)
At end of year	83,333		1,039,854	72,681		1,195,868
Net book value at end of year	3,416,667		245,454	103,967		3,766,088
Net book value at end of previous year	2,832,558		242,974	90,996		3,166,528

ANALYSIS OF INVESTMENTS

(see notes 56 and 57)

QUOTED	All Funds Except Political Funds £	Political Fund £
Equities (e.g. Shares)	22,398,224	1,854,042
Government Securities (Gilts)	172,963	
Other quoted securities (to be specified)		
TOTAL QUOTED (as Balance Sheet)	22,571,187	1,854,042
Market Value of Quoted Investment	29,090,770	2,035,347
UNQUOTED Equities	113,250	
Government Securities (Gilts)		
Mortgages		
Bank and Building Societies	405,573	2,920
Other unquoted investments (to be specified)		
Heritable Property	695,000	
TOTAL UNQUOTED (as Balance Sheet)	1,213,823	2,920
Market Value of Unquoted Investments		

ANALYSIS OF INVESTMENT INCOME (CONTROLLING INTERESTS)

(see notes 58 and 59)

Does the union, or any constituent part of the union, have a controlling interest in any limited company?		YES / <input type="checkbox"/>	NO <input type="checkbox"/>
If YES name the relevant companies:			
COMPANY NAME EIS Financial Services Ltd	COMPANY REGISTRATION NUMBER (if not registered in England & Wales, state where registered) Scotland SC 122216		
Are the shares which are controlled by the union registered in the names of the union's trustees?		YES / <input type="checkbox"/>	NO <input type="checkbox"/>
If NO, state the names of the persons in whom the shares controlled by the union are registered.			
COMPANY NAME	NAMES OF SHAREHOLDERS		

SUMMARY SHEET

(see notes 60 to 71)

	All funds except Political Funds £	Political Funds £	Total Funds £
INCOME			
From Members	6,275,165	81,742	6,356,907
From Investments	832,021	50,874	882,895
Other Income	537,818		537,818
Total Income	7,645,004	132,616	7,777,620
EXPENDITURE			
	6,155,123	21,706	6,176,829
	6,161,912		6,183,618
Total Expenditure	6,155,123	21,706	6,176,829
Funds at beginning of year (including reserves)	27,786,012	1,833,536	29,619,548
Funds at end of year (including reserves)	29,275,893	1,944,446	31,220,339
ASSETS			
	Fixed Assets		3,766,088
	Investment Assets		25,641,972
	Other Assets		5,340,983
		Total Assets	34,749,043
LIABILITIES		Total Liabilities	3,528,704
NET ASSETS (Total Assets less Total Liabilities)			31,220,339

NOTES TO THE ACCOUNTS

(see notes 72 and 73)

All notes to the accounts must be entered on or attached to this part of the return.

SEE SEPARATE SHEETS

ACCOUNTING POLICIES

(see notes 74 and 75)

SEE SEPARATE SHEETS

SIGNATURES TO THE ANNUAL RETURN

(see notes 76 and 77)

including the accounts and balance sheet contained in the return.

Secretary's Signature: <u>Larry Flanagan</u> Name: <u>LARRY FLANAGAN</u> Date: <u>12/2/17</u>	Chairman's Signature: <u>[Signature]</u> (or other official whose position should be stated) <u>ACCOUNTANT</u> Name: <u>COLIN MACKENZIE</u> Date: <u>12/2/17</u>
---	--

CHECK LIST

(see notes 78 to 80)

(please tick as appropriate)

IS THE RETURN OF OFFICERS ATTACHED? (see Page 2 and Note 12)	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>
HAS THE RETURN OF CHANGE OF OFFICERS BEEN COMPLETED? (see Page 2 and Note 12)	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>
HAS THE RETURN BEEN SIGNED? (see Pages 19 and 21 and Notes 76 and 77)	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>
HAS THE AUDITOR'S REPORT BEEN COMPLETED? (see Pages 20 and 21 and Notes 2 and 77)	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>
IS A RULE BOOK ENCLOSED? (see Notes 8 and 78)	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>
A MEMBER'S STATEMENT IS: (see Note 80)	ENCLOSED	<input checked="" type="checkbox"/>	TO FOLLOW	<input type="checkbox"/>
HAS THE SUMMARY SHEET BEEN COMPLETED (see Page 17 and Notes 7 and 59)	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>

AUDITOR'S REPORT

(see notes 81 to 86)

made in accordance with section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992.

1. In the opinion of the auditors or auditor do the accounts they have audited and which are contained in this return give a true and fair view of the matters to which they relate?
(See section 36(1) and (2) of the 1992 Act and notes 83 and 84)

YES

2. Have the auditors or auditor carried out such investigations in the preparation of their audit report as will enable them to form an opinion as to:
- (a) whether the trade union has kept proper accounting records in accordance with section 28 of the 1992 Act;
 - (b) whether it has maintained a satisfactory system of control over its transactions in accordance with the requirements of that section; and
 - (c) whether the accounts to which the report relates agree with the accounting records?
- (See section 36(3) of the 1992 Act, set out in note 83)

YES

3. Are the auditors or auditor of the opinion that the union has complied with section 28 of the 1992 Act and has:
- (a) kept proper accounting records with respect to its transactions and its assets and liabilities; and
 - (b) established and maintained a satisfactory system of control of its accounting records, its cash holding and all its receipts and remittances.
- (See section 36(4) of the 1992 Act set out in rule 83)

YES

4. Please set out a copy of the report made by the auditors or auditor to the union on the accounts to which this AR21 relates. The report is to set out the basis upon which the audit has been conducted and/or such other statement as the auditor considers appropriate. Such a statement may be provided as a separate document.
(See note 85)

COPIED BELOW

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE EDUCATIONAL INSTITUTE OF SCOTLAND

We have audited the financial statements of the Educational Institute of Scotland for the year ended 31 August 2014 on pages 2 to 23 which comprise the Income and Expenditure Accounts, Balance Sheets, related Notes to the Accounts and the Consolidated Balance Sheet. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Institute's members as a body in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditors 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 Institute and the members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE INSTITUTE AND AUDITORS

As explained more fully on page 24, the Trade Union and Labour Relations (Consolidation) Act 1992 requires the Institute to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Institute and of the income and expenditure of the Institute for that period in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit and express an opinion on 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 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates; 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 Institute's affairs as at 31 August 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice but with the exception of a cashflow statement) and the requirements of the Trade Union and Labour Relations (Consolidation) Act 1992

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where legislation requires us to report to you if, in our opinion

- adequate accounting records have not been kept; or
- a satisfactory system of control over transactions has not been maintained; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit

Haines Watts, Chartered Accountants & Statutory Auditors
Q Court
3 Quality Street
Edinburgh EH4 5BP

Dated: 12 February 2015

AUDITOR'S REPORT (continued)

Signature(s):

G J Dallas CA of
Haines Watts

Name(s):

G J DALLAS OF
HAINES WATTS

Profession(s) or Calling(s):

CHARTERED ACCOUNTANTS &
STATUTORY AUDITORS

Address(es):

Q COURT, 3 QUACITY STREET
EDINBURGH EH4 5BP

Date:

12 FEBRUARY 2015

Contact name and telephone number:

G J DALLAS
0131 625 5151

N.B. When notes to the accounts are referred to in the auditor's report a copy of those notes must accompany this return.

The Educational Institute of Scotland

Trade Union Reform and Employment Rights Act 1993

In terms of the above Act, the following statement relating to the year ended 31 August 2014 is issued to members of the Institute.

1. Total Income and Expenditure

The total income and expenditure of the Institute and its branches as included in the Annual Return to the Certification Officer was

	Members Dues £	Other Income £	Total Income £	Total Expenditure £
General Fund	5,528,941	991,229	6,520,170	5,682,694
Professional Fund		362,419	362,419	143,958
Local Associations	<u>746,224</u>	<u>16,191</u>	<u>762,415</u>	<u>768,631</u>
	<u>6,275,165</u>	<u>1,369,839</u>	<u>7,645,004</u>	<u>6,595,283</u>

2. Political Fund

The total income and expenditure of the Institute's Political Fund as included in the Annual Return to the Certification Officer was

	£
Total Income	132,616
Total Expenditure	21,706

3. Other Information

The salary paid, including employers' superannuation and benefits provided to or in respect of the General Secretary, as included in the Annual Return to the Certification Officer, amounted to £117,064 comprising £89,719 in salary and £27,345 in benefits. No salary was paid or benefits provided to or in respect of the President or any member of the Executive.

4. Auditors' Report

The following report by the Institute's Auditors, Haines Watts, Chartered Accountants and Statutory Auditors, Q Court, 3 Quality Street, Davidsons Mains, Edinburgh was included in the Annual Return to the Certification Officer:

We have audited the financial statements of the Educational Institute of Scotland for the year ended 31 August 2014 on pages 2 to 23. which comprise the Income and Expenditure Accounts, Balance Sheets, related Notes to the Accounts and the Consolidated Balance Sheet. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Institute's members as a body in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditors 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 Institute and the members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE INSTITUTE AND AUDITORS

As explained more fully on page 24, the Trade Union and Labour Relations (Consolidation) Act 1992 requires the Institute to prepare financial statements for each

financial year which give a true and fair view of the state of affairs of the Institute and of the income and expenditure of the Institute for that period in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit and express an opinion on 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 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates; 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 Institute's affairs as at 31 August 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (but with the exception of a cashflow statement) and the requirements of the Trade Union and Labour Relations (Consolidation) Act 1992

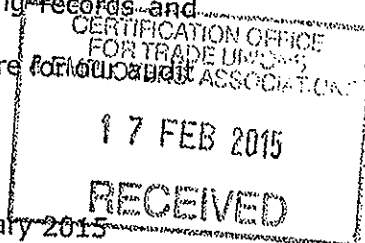
MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept; or
- a satisfactory system of control over transactions has not been maintained; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit

Haines Watts, Chartered Accountants & Statutory Auditors
Q Court
3 Quality Street
Edinburgh EH4 5BP

Dated: 12 February 2015



5. Irregularity Statement

A member who is concerned that some irregularity may be occurring, or have occurred, in the conduct of the financial affairs of the union may take steps with a view to investigating further, obtaining clarification and, if necessary, securing regularisation of that conduct.

The member may raise any such concern with such one or more of the following as it seems appropriate to raise it with: the officials of the union, the trustees of the property of the union, the auditor or auditors of the union, the Certification Officer (who is an independent officer appointed by the Secretary of State) and the police.

Where a member believes that the financial affairs of the union have been or are being conducted in breach of the law or in breach of rules of the union and contemplates bringing civil proceedings against the union or responsible officials or trustees, he should consider obtaining independent legal advice.

[Note: The above wording is reproduced as required by the Trade Union Reform and Employment Rights Act 1993. The Institute, however, being established by Royal Charter, has the legal power to hold property and other assets in the corporate name "The Educational Institute of Scotland" and any reference to trustees in the text should therefore be disregarded.]

NOTES ON GENERAL FUND ACCOUNTS

4. DUES OF MEMBERSHIP

	2014 £	2014 £	2013 £
Total Received		5,613,138	<u>5,684,966</u>
Less:			
Allocation to Professional Fund			85,275
Donation to Benevolent Fund	84,197		<u>32,428</u>
Collection Charges	<u>27,399</u>		<u>117,703</u>
		111,596	<u>117,703</u>
		<u>5,501,542</u>	<u>5,567,263</u>

Council at its meeting on 10 May 2013 decided that a donation equivalent to 1.5% of Members Subscriptions would be made to the Institute's Benevolent Fund in the year to 31 August 2014. Council also decided at its meeting on 10 May 2013 that the former allocation of 2.5% of Subscriptions to the Professional Fund would remain suspended for the year to 31 August 2014.

5. INTERNATIONAL RELATIONS EXPENSES

	2014 £	2013 £
Affiliation Fees	86,661	90,863
Other Expenses	(268)	3,073
International Aid (See Note 19)	56,131	56,850
	<u>142,524</u>	<u>150,786</u>

6. OTHER ORGANISATION EXPENSES

	2014 £	2013 £
Conferences - Education	2,442	10,632
Conferences - Equality	8,911	8,231
Secretaries Meetings	10,408	11,740
Expenses of Delegates to Conferences	4,131	5,724
Training Courses for Representatives (Executive, FELA, Equalities)	8,403	10,493
Miscellaneous	2,584	4,660
	<u>36,879</u>	<u>51,480</u>

7. PUBLICITY PRINTING & STATIONERY

	2014 £	2013 £
Student Recruitment	48,757	49,733
Members Diaries	44,607	43,504
Copy Charges	25,571	21,276
Policy Papers - Education & Equalities (includes CfE Bulletins)	-	4,942
Stationery, Publications & Printing	74,554	68,934
	<u>193,489</u>	<u>188,389</u>

8. INFORMATION TECHNOLOGY COSTS

	2014 £	2013 £
Internet Site Devt & Licencing	12,972	9,880
Software Licencing & Maintenance Agreements	9,704	9,263
Development	744	7,131
On Site Support	59,336	58,043
Other - Including Installations/Configurations, Sales of Surplus PC's	2,160	1,561
	<u>84,916</u>	<u>85,878</u>

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

5. THE SCOTTISH EDUCATIONAL JOURNAL

	2014	2014	2013
	£	£	£
Income			
Subscriptions and Sales			6,151
Advertising and Contributions		10,772	6,151
		<u>10,772</u>	<u>6,151</u>
Expenditure			
Printing, Design, and Paper	74,917		69,407
Postage	106,471		104,338
		<u>181,388</u>	<u>173,745</u>
Net Cost of Production		<u>170,616</u>	<u>167,594</u>

7. AFFILIATION FEES, RESEARCH, GRANTS AND SUBSCRIPTIONS

	2014	2013
	£	£
Research Commissions	11,362	12,800
Sponsorship of the Arts	29,500	29,800
Other Affiliations Donations Etc.	19,178	19,640
	<u>60,040</u>	<u>62,240</u>

3. CAPITAL COMMITMENT

Subsequent to the year end the Institute concluded a contract for the refurbishment of its Headquarters at 46-48 Moray Place, Edinburgh. The work is to be conducted in three phases and commenced on 6 October 2014 with completion scheduled in October 2015. The main contract is with GHI Contracts Ltd in the sum of £1,523,401 exclusive of VAT. The total project cost inclusive of furniture and equipment, consultants fees, irrecoverable VAT, and contingencies is estimated to be £2,250,000. Consultants Fees (Architects, Structural Engineers, Quantity Surveyors) of approximately £150,000 has been paid prior to 31 August 2014 and which has been charged to the Property Refurbishment Fund (Note 20). Accordingly it is estimated that a further £2,100,000 remains to be met in 2014/15 and 2015/16 with £1,850,000 of this anticipated to be incurred in 2014/15.

9. MOVEMENTS ON PENSION RESERVES

As part of the implementation of FRS17 (Accounting for Pension Costs) the Institute is required in respect of both the Pension Scheme and the Unfunded Arrangement to include within Staffing Costs the Actuary's estimates of :

(a) Current Service Cost

This is an estimate of the true economic cost of employing staff in the financial year and measures the full liability generated at current prices

(b) Interest on Pensions Liabilities

The interest cost is an estimate of the amount needed to unwind the discount applied in calculating the current service cost. As employees are one year older and one year closer to receiving their pension benefits the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

(c) Expected Return on Scheme Assets

The expected return on scheme assets is a measure of the return (income from dividends, interest etc. and gains on investment sums) on the investment assets held by the pension scheme for the year. The Unfunded Arrangement has no assets.

As FRS 17 reflects the estimated economic costs of providing pension benefits it is not appropriate to include the contributions actually paid in the year by the Institute as a percentage of employees' salaries and as pensions in respect of the unfunded arrangement and accordingly these are deducted.

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

(d) Paid in Year

Finally the net amount of all these adjustments has been deducted from the Surplus for the year as the adjustments are also included in the overall movement of the Pensions and Unfunded Arrangement in the General Fund Balance Sheet and in the Statement of Recognised Gains and Losses and therefore have already been reflected in the Pensions Reserve on the General Fund Balance Sheet.

<u>Summary</u>	<u>Pension Scheme</u> £	<u>Unfunded Arrangement</u> £	Total 2014 £	Total 2013 £
(a) Current Service Cost	509,000	36,000	545,000	500,000
(b) Pensions Liabilities Interest	969,000	84,000	1,053,000	857,000
(c) Expected Return On Assets	<u>(1,202,000)</u>	<u>84,000</u>	<u>(1,202,000)</u>	<u>(966,000)</u>
(b) + (c) Pensions Finance Costs	(233,000)	84,000	(149,000)	(109,000)
(d) Pd In Year(Net of L.A.Contbn)	(465,000)	(71,000)	(536,000)	(527,000)
Total (a) +(b) + (c) + (d)	<u><u>(189,000)</u></u>	<u><u>49,000</u></u>	<u><u>(140,000)</u></u>	<u><u>(136,000)</u></u>

0. HERITABLE PROPERTY

At Valuation	2014 £	2013 £
46-48 Moray Place, Edinburgh	3,500,000	2,900,000
	<u><u>3,500,000</u></u>	<u><u>2,900,000</u></u>
Depreciation		
Aggregate Depreciation at 31 August 2013	67,442	195,651
Depreciation Charge	83,333	67,442
Released on Revaluation	<u>(67,442)</u>	<u>(195,651)</u>
Aggregate Depreciation at 31 August 2014	<u><u>83,333</u></u>	<u><u>67,442</u></u>
Net Balance at 31 August 2014	<u><u>3,416,667</u></u>	<u><u>2,832,558</u></u>

As disclosed within the Accounting Policies the Institute's Heritable Property at 46-48 Moray Place Edinburgh together with the associated garages at Wemyss Place Mews have been included in the 2014 Accounts at estimated market value with vacant possession.

The valuation was undertaken by J & E Shepherd, Chartered Surveyors of 3 Chester Street, Edinburgh on 20 August 2014 and was undertaken in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards (Fifth Edition) for secured lending purposes to determine Market Value. A previous valuation undertaken by J & E Shepherd, Chartered Surveyors of 3 Chester Street, Edinburgh on 15 January 2013 valued the property at £2,900,000. The increase in value has been credited to the Revaluation Reserve and the aggregate depreciation as at 31 August 2013 released. The revalued property is being depreciated over its remaining working life which is estimated to be 42 years.

Had the property continued to be included in the accounts at historical cost (£69,522) the carrying value as at 31 August 2014 would have been £45,891.

Additional Depreciation charged in the year as a consequence of the Property Revaluation amounted to £81,943 and this amount has been debited to the Revaluation Reserve and credited to the General Fund.

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

11(a). OFFICE FURNITURE AND EQUIPMENT

	2014	2013
	£	£
Cost or Valuation		
Valuation at August 1996 or Subsequent Cost	1,026,633	1,016,867
Additions	6,990	55,970
	<u>1,033,623</u>	<u>1,072,837</u>
Disposals	47,210	46,204
Balance at 31 August 2014	<u>986,413</u>	<u>1,026,633</u>
Depreciation		
Aggregate Depreciation at 31 August 2013	809,724	733,572
Depreciation Charge	118,318	122,084
	<u>928,042</u>	<u>855,656</u>
Elimination in respect of Disposals	46,758	45,932
Aggregate Depreciation at 31 August 2014	<u>881,284</u>	<u>809,724</u>
Net Balance at 31 August 2014	<u>105,129</u>	<u>216,909</u>

11(b). MOTOR VEHICLES

	2014	2013
	£	£
Cost		
Balance at 31 August 2013	149,869	159,677
Additions	64,854	58,072
	<u>214,723</u>	<u>217,749</u>
Disposals	38,075	67,880
Balance at 31 August 2014	<u>176,648</u>	<u>149,869</u>
Depreciation		
Aggregate Depreciation at 31 August 2013	58,873	62,828
Depreciation Charge	34,658	30,334
	<u>93,531</u>	<u>93,162</u>
Elimination in respect of Disposals	20,850	34,289
Aggregate Depreciation at 31 August 2014	<u>72,681</u>	<u>58,873</u>
Net Balance at 31 August 2014	<u>103,967</u>	<u>90,996</u>

11(c). RECONCILIATION OF DEPRECIATION CHARGE

	2014	2013
	£	£
Depreciation Charge on		
Heritable Property	83,333	67,442
Office Furniture and Equipment	118,318	122,084
Motor Vehicles	34,658	30,334
Loss on Assets Sold	(123)	3,544
Charged in Income and Expenditure Account	<u>236,186</u>	<u>223,404</u>

12. INVESTMENT PROPERTIES

	2014	2013
	£	£
6 Clairmont Gardens Glasgow	600,000	600,000
34 West George Street Glasgow	95,000	95,000
	<u>695,000</u>	<u>695,000</u>

As disclosed within the Accounting Policies the Institute's Investment Properties at 6 Clairmont Gardens and 34 West George St Glasgow have been included in the 2014 Accounts at estimated market value with vacant possession. The valuations were undertaken by J & E Shepherd, Chartered Surveyors of Glasgow on 14 February and 25 June 2010 and were undertaken in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards (Fifth Edition) for secured lending purposes to determine

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

Market Value. There is considered to be no material difference between the estimated current market value and those of 2010.

Had the properties continued to be included in the accounts at historical cost the carrying value as at 31 August 2014 would have been £166,631 (6 Clairmont Gardens) and £87,737 (34 West George Street). 34 West George Street is rented to Glasgow and North Lanarkshire Local Associations of the Institute at a combined rental of £7,250 per annum.

3. SHARES & SECURITIES

	Book Value		Market Value	
	2014 £	2013 £	2014 £	2013 £
Government Securities				
Bonds, Fixed Int. & Cash Funds				
Ordinary Shares	5,346,945	4,725,957	7,722,167	6,537,389
Unit Trusts	6,769,534	8,414,478	7,708,788	9,278,536
	<u>12,116,479</u>	<u>13,140,435</u>	<u>15,430,955</u>	<u>15,815,925</u>

4. ADDITIONAL CONTRIBUTIONS TO PENSION SCHEME

	2014 £	2013 £
Annual Contribution from Institute - Scheme Recovery Plan	265,000	265,000
Less Local Associations Contributions under Scheme Recovery Plan	(8,539)	(8,539)
	<u>256,461</u>	<u>256,461</u>

5. INVESTMENT RESERVE

	2014 £	2013 £
Balance at 31 August 2013	2,480,143	2,404,779
Net Profit / (Loss) on Realisation of Investments	438,559	75,364
Balance at 31 August 2014	<u>2,918,702</u>	<u>2,480,143</u>

16. EIS-ULA GENERAL FUND

	2014 £	2013 £
Funds at 31 August 2013	70,763	70,651
Investment Income & Interest (net)	113	112
	<u>70,876</u>	<u>70,763</u>
Expenditure		
Funds at 31 August 2014	<u>70,876</u>	<u>70,763</u>

17. EIS-ULA SPECIAL FUND

	2014 £	2013 £
Funds at 31 August 2013	242,278	236,775
Net Profit / (Loss) on Realisation of Investments	361	0
Investment Income & Interest (net)	6,357	5,865
	<u>248,996</u>	<u>242,640</u>
Expenditure	636	362
Funds at 31 August 2014	<u>248,360</u>	<u>242,278</u>

18. REVALUATION RESERVE

	2014 £	2013 £
Balance at 31 August 2013	3,225,909	3,196,310
Increase on 2014 Revaluation of 46-48 Moray Place Edinburgh	600,000	(100,000)
Agg Depn Released on 2013 Revaluation of 46-48 Moray Place Edinburgh	67,442	195,651
Less: Addnl Depreciation as consequence of Revaluation	(81,943)	(66,052)
Balance at 31 August 2014	<u>3,811,408</u>	<u>3,225,909</u>

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

The Revaluation Reserve is in relation to three properties - the Institute's Headquarters at 46-48 Moray Place Edinburgh and offices at 6 Clairmont Gardens and 34 West George Street in Glasgow. 46-48 Moray Place Edinburgh was valued on 20th August 2014 at £3,500,000 (the previous valuation in 2013 was £2,900,000). 6 Clairmont Gardens was valued in 2010 at £600,000, and 34 West George St. at £95,000. Prior to the various revaluations 46-48 Moray Place was included in the accounts at cost of £69,522, 6 Clairmont Gardens at cost of £166,631, and 34 West George Street at cost of £87,737. As investment properties 6 Clairmont Gardens and 34 West George St. are not depreciated.

9. INTERNATIONAL AID FUND

	2014	2013
	£	£
International Aid Fund Balance as at 1 September 2013	257,514	200,664
Allocation from General Fund of 1% of Members Subscriptions	56,131	56,850
	313,645	257,514
Less : Expenditure on Projects 2013/14	(12,000)	
International Aid Fund 31 August 2014	301,645	257,514

10. PROPERTY REFURBISHMENT FUND

	2014	2013
	£	£
Property Repairs Fund Balance as at 1 September 2013	162,759	80,316
Allocation from General Fund 2013/14	100,000	100,000
	262,759	180,316
Less : Expenditure on Property Repairs 2013/14	162,743	17,557
Property Repairs Fund 31 August 2014	100,016	162,759

Council, at its meeting on 13 May 2011, in approving the Institute's Planned Expenditure for 2011/12 decided to set up a Property Refurbishment Fund with an annual contribution of approximately £100,000 less the actual expenses incurred on property repairs in the course of the year.

21. PENSIONS RESERVE - IN DEFICIT

	2014	2013
	£	£
Pension Scheme	(735,000)	(1,148,000)
Unfunded Arrangement	(2,076,000)	(1,844,000)
	(2,811,000)	(2,992,000)

The movement from 2013 to 2014 can be summarised as follows:

	2014	2013
	£'000	£'000
Opening Deficit	(2,992)	(3,009)
Current Service Cost	(545)	(500)
Interest / Net Return of Investments	149	109
Contributions Regular	536	527
Contributions Additional	265	265
Actuarial Gains / (Losses) & Roundings	(224)	(384)
	(2,811)	(2,992)

Full information on the determination of the Pension Fund liabilities is given in Note 23 below.

22. RELATED PARTY DISCLOSURES

(A) Superannuation Scheme

In terms of Financial Reporting Standard No 8, the Institute and the EIS Superannuation Scheme for Officials and Staff are related parties and as such there is a requirement to disclose material transactions between them. A standard security over the Institute's property at 46-48 Moray Place, Edinburgh in favour of the Trustees of the Superannuation Scheme was granted by the Institute on 30 April 1982 the purpose of which is to enable, in certain circumstances, the Trustees to meet the Scheme's liabilities should, at the time those liabilities become due, the Superannuation Fund be insufficient to meet those liabilities. The Standard Security originally granted on 30 April 1982 has been replaced by revised Standard Securities issued in July 2005 and March 2007.

The Institutes contributions to the Scheme are shown in Notes 14, 21 and 23.

As at 31 August 2014 a net amount of £4,925 was due to the Institute. (2013 £5,661 due to the Scheme.)

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

(B) EIS Financial Services Ltd

The Institute and EIS Financial Services Ltd. are related parties and as such there is a requirement to disclose material transactions between them. The Institute owns 75% of the share capital of the company purchased at an overall cost of £65,000. The current Board consists of 4 Directors of which 3 are Institute appointments. The accounts of EIS Financial Services Ltd for the year to 31 May 2014 disclose a profit of £73,632 after tax (2013 £67,749) and shareholder funds of £322,470. EIS Financial Services Ltd are tenants of the Institute's investment property 6 Clairmont Gardens, Glasgow and during the year the Institute charged the sum of £9,750 rent on normal commercial terms. £404 was due to the Institute at the year end. The Institute has granted the company two pages of advertising space per issue in its publication, The Scottish Educational Journal, without cost (retail value £10,550). Additionally the company has been invoiced £4,220 for advertising taken on normal commercial terms all of which was paid during the year. The Institute by way of a joint venture agreement is entitled to receive commission from EIS Financial Services Ltd which has, as from June 1996, been determined as 15% of the company's pre tax net profit. At 31 August 2014 the Institute was due £18,772 (2013 £17,943) from EIS Financial Services under the terms of the agreement. Additionally the Institute received a net Dividend of £38,109 (2013 £66,705) No other sums were due to or by the company at 31 August 2014.

(C) Benevolent Fund

The Institute and its Benevolent Fund are related parties and as such there is a requirement to disclose material transactions between them. In the course of the year the Institute donated £84,197, equivalent to 1.5% of members' subscriptions to the Fund and also agreed to donate 1.5% of members' subscriptions in 2014/15. The administrative costs of operating the Benevolent Fund are met by the Institute. As at 31 August 2014 the sum of £11,638 was due to the Fund by the Institute (2013 £94,959).

23. RETIREMENT BENEFITS - FINANCIAL REPORTING STANDARD NO. 17

Financial Reporting Standard No.17 (FRS17) has the objectives that :

- (1) Accounts reflect at fair value the assets and liabilities of Pension Schemes.
- (2) The costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by employees.
- (3) Accounts contain adequate disclosure of the cost of providing retirement benefits.

(A) Funded Scheme

The Educational Institute of Scotland operates a Final Salary defined benefit pension scheme. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier).

The most recent formal actuarial valuation was carried out as at 31 August 2012. The results have been updated to 31 August 2014 by a qualified independent actuary.

Analysis of changes in the value of the Scheme liabilities over the year

	2014	2013
	£	£
Value of liabilities at start of year	21,132,000	19,221,000
Service cost	509,000	466,000
Interest cost	969,000	785,000
Member contributions	180,000	176,000
Actuarial losses / (gains)	963,000	1,259,000
Benefits paid	(823,000)	(775,000)
Value of liabilities at end of year	22,930,000	21,132,000

Analysis of changes in the value of the Scheme assets over the year

Market value of assets at start of year	19,984,000	17,997,000
Expected return on scheme assets	1,202,000	966,000
Actuarial gains / (losses)	922,000	894,000
Employer contributions	730,000	726,000
Member contributions	180,000	176,000
Benefits paid	(823,000)	(775,000)
Market value of scheme assets at end of year	22,195,000	19,984,000

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

Amounts recognised in Income and Expenditure Account

Service cost	509,000	466,000
Interest cost	969,000	785,000
Expected return on scheme assets	(1,202,000)	(966,000)
Total pension cost charged to Income & Expenditure Account	<u>276,000</u>	<u>285,000</u>

Amounts recognised in Statement of Total Recognised Gains & Losses (STRGL)

	2014	2013
	£	£
Actuarial (gains) / losses	(41,000)	(365,000)
Total amount recognised in STRGL	<u>(41,000)</u>	<u>(365,000)</u>

Reconciliation to the Balance Sheet

	2014	2013
	£	£
Market value of assets	22,195,000	19,984,000
Present value of liabilities	22,930,000	21,132,000
Surplus / (Deficit) in the Scheme	<u>(735,000)</u>	<u>(1,148,000)</u>

Assets

The assets of the Scheme are invested in a diversified portfolio

Asset class	<u>Market</u>	<u>% of total</u>	<u>Market</u>	<u>% of total</u>
	<u>Value</u>	<u>Scheme</u>	<u>Value</u>	<u>Scheme</u>
	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>%</u>
Equities	11,918	54%	11,133	56%
Gilts	5,627	25%	4,678	23%
Bonds	4,257	19%	3,782	19%
Cash	379	2%	376	2%
Other	14		15	-
	<u>22,195</u>	<u>100%</u>	<u>19,984</u>	<u>100%</u>

The actual return on assets over the period was £2,124,000 (2013 £1,860,000)

The assumptions used by the actuary were as follows:

Financial assumptions

	2014	2013
Discount Rate	3.9% pa	4.6% pa
Retail prices inflation	3.4% pa	3.7% pa
Consumer prices inflation	2.4% pa	2.7% pa
Salary Increases	4.4% pa	4.7% pa
Rate of increases of pensions in payment	3.4% pa	3.7% pa
Rate of increases for deferred pensioners	3.4% pa	3.7% pa

The overall expected return on assets assumption of 5.35% as at 31 August 2014 has been derived by calculating the weighted average of the expected rate of return for each asset class. The following approach has been used to determine the expected rate of return for each asset class:

Bonds and Gilts - current market yields.

Equities - constructed from the net dividend yield, the RPI assumption and an assumption for real dividend growth of 1.3%

Cash - the current Bank of England base rate. A deduction of 0.4% is to allow for scheme expenses.

Life expectancies

	31 Aug 2014		31 Aug 2013	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.5	24.6	24.1	25.3
Member age 45 (life expectancy at age 65)	25.2	26.4	25.8	27.2

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

History of assets, liabilities, experience gains and losses

	2014	2013	2012	2011	2010
	£000's	£000's	£000's	£000's	£000's
Market value of Scheme assets	22,195	19,984	17,997	16,328	15,123
Value of Scheme liabilities	<u>22,930</u>	<u>21,132</u>	<u>19,221</u>	<u>17,421</u>	<u>17,137</u>
Surplus / (Deficit) in the Scheme	<u>(735)</u>	<u>(1,148)</u>	<u>(1,224)</u>	<u>(1,093)</u>	<u>(2,014)</u>

Gains / (Losses) arising on scheme liabilities:

	2014	2013	2012	2011	2010
	£000's	£000's	£000's	£000's	£000's
Due to experience	6	-	1,276	(270)	287
%age of liabilities	0%	0%	7%	(2.0%)	1.7%
Due to change of basis	-969	(1,259)	(2,401)	726	
%age of liabilities	(4%)	(6%)	(12.0%)	4%	

Experience gains/losses

	2014	2013	2012	2011	2010
	£000's	£000's	£000's	£000's	£000's
Arising on Scheme assets	922	894	619	150	398
%age of assets	4.0%	4.0%	3.0%	1.0%	2.6%

The cumulative amount of actuarial gains and losses recognised in the STRGL since 2002 is £5,887,000 (losses).

Future funding obligation

The last actuarial valuation of the Scheme was performed by the Actuary for the Trustees as at 31 August 2012. The Institute decided to pay annual contributions of 30.4% of members' pensionable salaries each year. In addition the Institute agreed to make annual payments to pay off the deficit of £265,000 for a further 6 years. The Institute expects to pay £747,000 to the Scheme during the accounting year beginning 1 September 2014.

(B) Unfunded Scheme

The Educational Institute of Scotland operates an unfunded pensions arrangement.

Analysis of changes in the value of the Scheme liabilities over the year

	2014	2013
	£	£
Value of liabilities at start of year	1,844,000	1,785,000
Service cost	36,000	34,000
Interest cost	84,000	72,000
Member contributions		
Actuarial (gains) / losses	183,000	23,000
Benefits paid	<u>(71,000)</u>	<u>(70,000)</u>
Value of liabilities at end of year	<u>2,076,000</u>	<u>1,844,000</u>

Analysis of changes in the value of the Scheme assets over the year

Market value of assets at start of year		
Expected return on scheme assets		
Actuarial gains / (losses)		
Employer contributions	71,000	70,000
Member contributions		
Benefits paid	<u>(71,000)</u>	<u>(70,000)</u>
Market value of scheme assets at end of year	<u> </u>	<u> </u>

NOTES ON GENERAL FUND ACCOUNTS (CONTD)

	2014	2013
	£	£
Amounts recognised in Income and Expenditure Account		
Service cost	36,000	34,000
Interest cost		
Expected return on plan assets		
Net pension cost charged to Income & Expenditure Account	36,000	34,000

Amounts recognised in Statement of Total Recognised Gains & Losses (STRGL)

	2014	2013
	£	£
Actuarial (gains) / losses	183,000	23,000
Total amount recognised in STRGL	183,000	23,000

Reconciliation to the Balance Sheet

	2014	2013
	£	£
Market value of assets		
Present value of liabilities	2,076,000	1,844,000
Surplus / (Deficit) in the Scheme	(2,076,000)	(1,844,000)

Financial assumptions

	2014	2013
Discount Rate	3.9% pa	4.6% pa
Retail prices inflation	3.4% pa	3.7% pa
Consumer prices inflation	2.4% pa	2.7% pa
Salary Increases	4.4% pa	4.7% pa
Rate of increases of pensions in payment	3.4% pa	3.7% pa
Rate of increases for deferred pensioners	3.4% pa	3.7% pa

Life expectancies

	31 Aug 2014		31 Aug 2013	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.5	24.6	24.1	25.3
Member age 45 (life expectancy at age 65)	25.2	26.4	25.8	27.2

History of assets, liabilities, experience gains and losses

	2014	2013	2012	2011	2010
	£000's	£000's	£000's	£000's	£000's
Value of Scheme liabilities	2,076	1,844	1,785	1,806	1,670
Surplus / (Deficit) in the Scheme	(2,076)	(1,844)	(1,785)	(1,806)	(1,670)

Gains / (Losses) arising on scheme liabilities:

	2014	2013	2012	2011	2010
	£000's	£000's	£000's	£000's	£000's
Due to experience	(71)	4	(329)	(184)	(98)
%age of liabilities	(3%)	0%	18.4%	(10.2%)	(5.9%)
Due to change of basis	(112)	(27)	(248)	97	
%age of liabilities	(5%)	(1%)	(13.9%)	5.4%	

The cumulative amount of actuarial losses recognised in the STRGL (since 2002) is £2,424,000.

The Institute expects to contribute an estimated £72,000 to its unfunded pension arrangement during the accounting year beginning 1 September 2014.

NOTES ON PROFESSIONAL FUND

1. INVESTMENTS

	Book Value		Market Value	
	2014 £	2013 £	2014 £	2013 £
Government Securities				
Bonds, Fixed Int. & Cash Funds				
Ordinary Shares	4,917,413	4,446,933	7,116,600	6,101,200
Unit Trusts	5,338,957	3,930,980	6,154,516	4,479,564
	<u>10,256,370</u>	<u>8,377,913</u>	<u>13,271,116</u>	<u>10,580,764</u>
Cash in Bank	162,649	566,099	162,649	566,099
	<u>10,419,019</u>	<u>8,944,012</u>	<u>13,433,765</u>	<u>11,146,863</u>

2. INVESTMENT RESERVE

	2014 £	2013 £
Balance at 31 August 2013	3,609,839	3,346,577
Net Profit / (Loss) on Realisation of Investments	79,770	263,262
Balance at 31 August 2014	<u>3,689,609</u>	<u>3,609,839</u>

NOTES ON POLITICAL FUND ACCOUNTS

1. INVESTMENTS

	Book Value		Market Value	
	2014 £	2013 £	2014 £	2013 £
Government Securities				
Bonds, Fixed Int. & Cash Funds				
Ordinary Shares				
Unit Trusts	1,854,042	1,254,920	2,035,347	1,380,987
	<u>1,854,042</u>	<u>1,254,920</u>	<u>2,035,347</u>	<u>1,380,987</u>
Cash in Bank	2,920	332	2,920	332
	<u>1,856,962</u>	<u>1,255,252</u>	<u>2,038,267</u>	<u>1,381,319</u>

2. INVESTMENT RESERVE

	2014 £	2013 £
Balance at 31 August 2013	281,864	281,864
Net Profit / (Loss) on Realisation of Investments		
Balance at 31 August 2014	<u>281,864</u>	<u>281,864</u>

CONSOLIDATED BALANCE SHEET - 31 AUGUST 2014
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NOTES

1. INVESTMENTS

	Book Value		Market Value	
	2014	2013	2014	2013
	£	£	£	£
Fixed Interest Securities				
Ordinary Shares	10,264,358	9,172,890	14,838,767	12,638,589
Unit Trusts	13,962,533	13,600,378	15,898,651	15,139,087
	<u>24,226,891</u>	<u>22,773,268</u>	<u>30,737,418</u>	<u>27,777,676</u>
Heritable Property	695,000	695,000		
Cash in Bank	403,966	1,308,440		
Cash Loans	4,527	6,580		
	<u>25,330,384</u>	<u>24,783,288</u>	2014	2013
			£	£

2. MOVEMENT OF FUNDS

Total Funds at 31 August 2013	26,617,974	25,405,984
Net Surplus	508,520	877,881
Net Profit / (Loss) on Investment Disposals in Year	518,329	338,626
Additional Contributions to Pensions Scheme	(256,461)	(256,461)
Reduction / (Increase) in Pensions Liabilities	181,000	17,000
Reduction in Revaluation Reserve Net of Depreciation	667,442	95,651
Increase in Property Refurbishment Fund	(62,743)	82,443
Increase in International Aid Fund	44,131	56,850
Total Funds at 31 August 2014	<u>28,218,192</u>	<u>26,617,974</u>

3. BENEVOLENT FUND

To comply with the Charities Statement of Recommended Accounting Practice (SORP) and to facilitate submission of an annual return to the Office of the Scottish Charity Regulator (OSCR) by the required date of 31 May each year the Institute decided to prepare a separate Charity Account for the Benevolent Fund and disaggregate the Fund from these Accounts which are submitted to the AGM in June each year for approval. The Benevolent Fund Accounts can be obtained from the Institute's Accountant at 46-48 Moray Place, Edinburgh, EH3 6BH.

4. STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

	General Fund	Professional Fund	Political Fund
	£	£	£
Surplus / (Deficit) for the Year	252,724	138,691	110,910
Surplus on ULA Funds	6,195		
FRS 17 Reduction in Pensions Liability	413,000		
FRS 17 Increase in Unfnded Arrngmt Liability	(232,000)		
Increase in Investment Reserve	438,559	79,770	
Increase in Revaluatn Reserve Inc Addnl Dep	667,442		
Addnl Contbns to Pension Scheme	(256,461)		
Increase in International Aid Fund	44,131		
Reduction in Property Refurbishment Fund	(62,743)		
Total Recognised Gains and Losses	<u>1,270,847</u>	<u>218,461</u>	<u>110,910</u>
			<u>1,600,218</u>

NOTES ON CONSOLIDATED ACCOUNTS OF LOCAL ASSOCIATIONS

1. OFFICE FURNITURE AND EQUIPMENT

	2014 £	2013 £
Cost		
As at 31 August 2013	216,613	238,070
Additions	135,971	8,805
	352,584	246,875
Disposals	53,889	30,262
As at 31 August 2014	298,695	216,613
Depreciation		
Aggregate Depreciation 31 August 2013	190,748	210,035
Depreciation Charge for Year	20,595	10,765
	211,343	220,800
Elimination in respect of Disposals	52,773	30,052
Aggregate Depreciation 31 August 2014	158,570	190,748
 Net Book Value as at 31 August 2014	 140,125	 25,865

2. INVESTMENTS

	Book Value		Market Value	
	2014 £	2013 £	2014 £	2013 £
Quoted				
Government Securities	918	918	879	791
Ordinary Shares	5,531	5,531	23,639	22,299
Unit Trusts Etc.	132,844	131,636	175,555	159,721
Bonds & Fixed Interest	172,045	166,127	188,626	167,381
	311,338	304,212	388,699	350,192
Unquoted				
Ordinary Shares	250	250		
Cash Loans/Deposits				
	250	250		
Total	311,588	304,462		

3. MOVEMENT OF FUNDS

	2014 £	2013 £
Total Funds as at 31 August 2013	3,001,574	2,983,737
Prior Year Adjustments	6,789	
(Deficit) / Surplus for Year	(6,216)	17,837
Total Funds as at 31 August 2014	3,002,147	3,001,574
Subdivided Between :		
General Funds	2,964,374	2,961,369
Benevolent and Other Funds	37,773	40,205
	3,002,147	3,001,574

ACCOUNTING POLICIES

- (1) The Accounts are prepared under the historical cost convention modified by the revaluation of heritable and certain investment property. The accounting policy concerning the valuation of heritable and certain investment property was changed in 2006 from that of cost to market value with a revaluation reserve created to reflect the surplus on revaluation. Details of revaluations are disclosed in notes 10, 12 and 18 to the accounts on pages 6 to 9. Heritable property held for use by the Institute is depreciated on the straight line basis at the rate of 2% per year on value taking into account subsequent revaluations.
- (2) Furniture and Equipment are depreciated on the straight line basis over the period of their estimated useful lives which is between 5 and 10 years. Motor cars are depreciated on the reducing balance basis at the rate of 25% per year.
- (3) Quoted investments have been included in the accounts at cost with the net sale price (ie the expected proceeds after accounting for the expenses of sale) ruling on the Balance Sheet date disclosed by way of note. Whilst individual investment market values may be below cost at the Balance Sheet date it is not considered to be a permanent diminution. The Institute's Heritable Properties held for investment purposes at 6 Clairmont Gardens and 34 West George Street Glasgow have been included in the Balance Sheet at market value, on the basis of a valuation undertaken by J & E Shepherd Chartered Surveyors on 14 February and 25 June 2010, and are not depreciated. In the Institute's opinion, there is no material difference between the current market values and the formal 2010 valuations.
- (4) A cash flow statement has not been provided. It is considered that such a statement would not provide any meaningful information relating to the Institute's activities or to its various funds or those of its various branches. The United Kingdom Financial Reporting Standard No 1 has not been complied with.
- (5) In accordance with FRS17, the deficit arising on the Institute's defined benefit pension scheme together with the deficit arising on the unfunded arrangement are disclosed on the General Fund and Consolidated Balance Sheets. The unfunded arrangement stems from a decision taken by the Institute in 1994 to augment, out of its own resources, the benefits provided by the pension scheme to the extent that pensions in payment are increased by an additional 1.5% per annum. The unfunded arrangement will not apply for Institute employees taking up post after 1 September 2007 and changes have also been introduced for pensioners, deferred members and employees in post at 31 August 2007 which restricts the benefits payable. These benefits are paid from the Institute's own resources from time to time and are not pre funded. Movements on the pension scheme and unfunded arrangement liabilities are reflected through the General Fund to the extent that they relate either to the employer's current service costs (which is reflected as a component of Staff Costs) or movements arising from expected returns on pension scheme assets net of interest on pension scheme liabilities (which is disclosed as a component of Other Finance Costs.) Movements arising from changes in actuarial assumptions, including differences between the actual returns on scheme assets and experience gains/(losses) arising on the scheme's liabilities are reflected through the Pensions Reserve.

EDUCATIONAL INSTITUTE OF SCOTLAND

LIST OF OFFICERS IN POST AT 31 AUGUST 2014

Tommy Castles (President)

Patricia Duncan (Vice-President)

Phil Jackson (Ex-President)