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- PRINT ON ONE SIDE ONLY

# FORM AR21

To be used for reporting years starting on or after 6 April 2015

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 2016

List no:

5035T

Head or Main Office:

46 MORAY PLACE,  
EDINBURGH  
EH3 6BH

Website address (if available)

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:

0131 225 6244

Contact name for queries regarding

COLIN MACKENZIE

Telephone Number:

0131 225 6244

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  
22<sup>nd</sup> 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



(Revised February 2017)

# EDUCATIONAL INSTITUTE OF SCOTLAND

## LIST OF OFFICERS IN POST AT 31 AUGUST 2016

Margaret Smith (President)

Nicola Fisher (Vice-President)

Pat Flanagan (Ex-President)

# 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	12,542			11	<b>12,553</b>
FEMALE	42,310			33	<b>42,343</b>
TOTAL	54,852			44	<b>A 54,896</b>

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

None

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

53,346

## 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	Pat Flanagan	Margaret Smith	June 2016
Vice-President	Margaret Smith	Nicola Fisher	June 2016
Ex-President	Tommy Castles	Pat Flanagan	June 2016

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)

	£	£
<b>INCOME</b>		
<b>From Members:</b> Contributions and Subscriptions		5,655,884
<b>From Members:</b> Other income from members (specify)		
<b>Total other income from members</b>		
<b>Total of all income from members</b>		5,655,884
<b>Investment income (as at page 11)</b>		594,456
<b>Other Income</b>		
Income from any other sources (as at page 4)	51,424	
<b>Total of other income (as at page 4)</b>		51,424
		<b>TOTAL INCOME</b>
		6,301,764
<b>EXPENDITURE</b>		
<b>Benefits to members (as at page 5)</b>		1,758,739
<b>Administrative expenses (as at page 9)</b>		4,649,191
<b>Federation and other bodies (specify)</b>		
TUC/STUC Affiliations	217,913	
Miscellaneous Affiliations	50,876	
Education International	82,778	
International Aid	56,616	
<b>Total Expenditure Federation and other bodies</b>		408,183
		<b>TOTAL EXPENDITURE</b>
		6,816,113
		(514,349)
		16,199,134
Amount of General Fund at beginning of year as restated under FRS 102*		
Increase in Fair Value of Investments		1,642,534
Increase in Pension Liability		(2,977,000)
Increase in International Aid Fund		46,616
Property Revaluation Surplus Net of Refurbishment Costs charged		751,702
Amount of General Fund at end of year		15,148,637
<p>*Explanations of the Restatement are shown in the Accounts Note 24 to the General Fund "FRS 102 Transition Notes" – Note I &amp; Note II</p>		

# ANALYSIS OF INCOME FROM FEDERATION AND OTHER BODIES AND OTHER INCOME

(see notes 19 and 20)

DESCRIPTION	£	£
<b>Federation and other bodies</b>		
<b>TOTAL FEDERATION AND OTHER BODIES</b>		
<b>Other income</b> Commission	51,424	
<b>TOTAL OTHER INCOME</b>		51,424
<b>TOTAL OF ALL OTHER INCOME</b>		51,424

# ANALYSIS OF BENEFIT EXPENDITURE SHOWN AT GENERAL FUND

(see notes 21 to 23)

	£		£
Representation – Employment Related Issues	1,414,432	<b>brought forward</b> Education and Training services	1,721,307
Representation – Non Employment Related Issues		Negotiated Discount Services Countdown	37,432
Communications Scottish Educational Journal	166,433		
Diaries	44,313	Salary Costs	
Advisory Services Helpline	7,940	Other Benefits and Grants (specify)	
Dispute Benefits			
Other Cash Payments Members' Insurances	88,189		
<b>carried forward</b>	<b>1,721,307</b>	<b>Total (should agree with figure in General Fund)</b>	<b>1,758,739</b>

(See notes 24 and 25)

FUND 2		Fund Account	
Name:	PROFESSIONAL FUND	£	£
<b>Income</b>			
	From members		
	Investment income (as at page 12)		362,489
	Other income (specify)		
	<b>Total other income as specified</b>		
	<b>Total Income</b>		362,489
<b>Expenditure</b>			
	Strike Pay	76,836	
	Research	2,500	
	Ballots	35,749	
	Investment Management	53,126	
	Contribution to Strike Hardship Fund	50,000	
	Marches & Rallies Etc.	3,805	
	Administrative expenses and other expenditure (as at page 10)	30,873	
	<b>Total Expenditure</b>		252,889
	<b>Surplus for the year</b>		109,600
	<b>*Amount of fund at beginning of year as restated under FRS102</b>		13,319,032
	Increase in Fair Value of Investments		1,799,906
	Increase in Strike Hardship Fund		50,000
	<b>Amount of fund at the end of year (as Balance Sheet)</b>		15,278,538
	<b>Number of members contributing at end of year</b>		NIL

\*Explanations of the Restatement are shown in the Accounts Note 3 to the Professional Fund "FRS 102 Transition Notes"





POLITICAL FUND ACCOUNT 1		To be completed by trade unions which maintain their own fund	
		£	£
<b>Income</b>	Members contributions and levies		72,674
	Investment income (as at page 11)		77,035
	Other income (specify)		
		Total other income as specified	
		Total income	149,709
<b>Expenditure</b>	Expenditure under section 82 of the Trade Union and Labour Relations (Consolidation) Act 1992 (specify)		
	Publicity, Printing, Campaigns & Stationery	118,477	
	Administration expenses in connection with political objects (specify)		
	Investment Management Fees/ Taxation	9,024	
	Non-political expenditure		
		Total expenditure	127,501
		Surplus (deficit) for year	22,2082
	<b>Amount of fund at beginning of year as restated under FFRS102</b>	2,177,753	
	Increase in Fair Value of Investments	89,760	
	Amount of political fund at the end of year (as Balance Sheet)	2,289,721	
	Number of members at end of year contributing to the political fund	40,329	
	Number of members at end of the year not contributing to the political fund	**14,567	
	Number of members at end of year who have completed an exemption notice and do not therefore contribute to the political fund	9,295	

\*Explanations of the Restatement are shown in the Accounts Note 2 to the Political Fund "FRS 102 Transition Notes

\*\*Includes Probationer / Long Term Sick etc. members who are not required to pay subscriptions 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)

		£
<b>Administrative Expenses</b>		
Remuneration and expenses of staff		3,360,727
Salaries and Wages included in above	2,981,869	
Auditors' fees		41,914
Legal and Professional fees		126,330
Occupancy costs		366,547
Stationery, printing, postage, telephone, etc.		395,170
Expenses of Council & Committees (Head Office)		126,106
Expenses of conferences (AGM and SGM)		155,088
Other administrative expenses (specify)		
Loan Interest		34,724
Miscellaneous Official Expenses / Functions		8,176
Training Costs / Local Association Secretaries Meetings		32,933
Information Technology Costs		108,798
General Insurance		36,041
Machine Leasing & Maintenance		27,166
Subscription Collection		20,377
Branch Expenses		83,697
Room Hire		17,401
Depreciation & Losses/Gains on Asset Disposals		274,027
Taxation		78,809
Outgoings on land and buildings – Expenses on Let Property		1,788
Internal Conferences		20
Visits to Branches		2,019
Expenses of Delegates to Outside Bodies		43,972
Miscellaneous (Including Learning Representatives £43,584)		80,728
<b>Total</b>		5,422,558
Charged to:	General Fund (Page 3)	4,649,191
	Professional Fund	30,873
	Local Assoc Con. Fund	742,494
<b>Total</b>		5,420,608



# ANALYSIS OF INVESTMENT INCOME

(see notes 45 and 46)

	Political Fund £	Other Fund(s) £
Rent from land and buildings		20,483
Dividends (gross) from:		
Equities (e.g. shares)	75,240	935,703
Interest (gross) from:		
Government securities (Gilts)		
Mortgages		
Local Authority Bonds		
Bank and Building Societies	1,795	14,500
Other investment income (specify)		
	77,035	970,686
	<b>Total investment income</b>	<b>1,047,721</b>
Credited to:		
General Fund (Page 3)		594,456
Professional Fund		362,489
Local Assoc Consol Fund		13,741
	Political Fund	77,035
	<b>Total Investment Income</b>	<b>1,047,721</b>

# BALANCE SHEET as at

31 AUGUST 2016

(see notes 47 to 50)

Previous Year		£	£
3,760,898	<b>Fixed Assets</b> (at page 13)		5,050,556
	<b>Investments</b> (as per analysis on page 14)		
30,260,553	Quoted (Market value £ 34,484,540)	34,484,540	
<u>1,422,910</u>	Unquoted	1,735,049	
31,683,463	<b>Total Investments</b>		36,219,589
	<b>Other Assets</b>		
	Loans to other trade unions		
849,845	Sundry debtors	890,824	
4,040,343	Cash at bank and in hand	3,213,845	
	Income tax to be recovered		
	Stocks of goods		
	Others (specify)		
4,890,188	<b>Total of other assets</b>		4,104,669
40,334,549	<b>TOTAL ASSETS</b>		45,374,814
16,199,134	General Fund (Account 1)		15,148,637
13,319,032	Professional Fund (Account 2)		15,278,538
3,014,189	Local Association Consolidation Fund (Account 3)		3,028,415
2,177,753	Political Fund Account		2,289,721
	Revaluation Reserve		
	<b>LIABILITIES</b>		
	Amount held on behalf of central trade union political fund		
	Loans: From other trade unions		
554,687	Loans: Other	1,034,701	
	Bank overdraft		
	Tax payable		
650,754	Sundry creditors	843,802	
4,419,000	Pension Liabilities	7,751,000	
	Provisions		
	Other liabilities		
5,624,441	<b>TOTAL LIABILITIES</b>		9,629,503
40,334,549	<b>TOTAL ASSETS</b>		45,374,814

# FIXED ASSETS ACCOUNT

(see notes 51 to 55)

	Land and Buildings		Furniture and Equipment £	Motor Vehicles £	Not used for union business £	Total £
	Freehold	Leasehold				
<b>Cost or Valuation</b>						
At start of year	3,500,000		1,080,218	201,895		4,782,113
Additions			314,404	82,731		397,135
Disposals			(343,425)			(343,425)
Revaluation/Trnsfers	1,000,000					1,000,000
At end of year	4,500,000		1,051,197	284,626		5,835,823
<b>Accumulated Depreciation</b>						
At start of year	166,666		755,849	98,700		1,021,215
Charges for year	112,500		113,271	46,482		272,253
Disposals			(341,535)			(341,535)
Revaluation/Trnsfers	(166,666)					(166,666)
At end of year	112,500		527,585	145,182		785,267
<b>Net book value at end of year</b>	4,387,500		523,612	139,444		5,050,556
<b>Net book value at end of previous year</b>	3,333,334		324,369	103,195		3,760,898

# ANALYSIS OF INVESTMENTS

(see notes 56 and 57)

QUOTED	All Funds Except Political Funds £	Political Fund  £
Equities (e.g. Shares)	32,267,127	2,000,765
Government Securities (Gilts)	216,648	
Other quoted securities (to be specified)		
TOTAL QUOTED (as Balance Sheet)	32,483,775	2,000,765
Market Value of Quoted Investment	32,483,775	2,000,765
UNQUOTED Equities	113,250	
Government Securities (Gilts)		
Mortgages		
Bank and Building Societies	901,655	25,144
Other unquoted investments (to be specified)		
Heritable Property	695,000	
TOTAL UNQUOTED (as Balance Sheet)	1,709,905	25,144
Market Value of Unquoted Investments		

# ANALYSIS OF INVESTMENT INCOME (CONTROLLING INTERESTS)

(see notes 58 and 59)

<p><b>Does the union, or any constituent part of the union, have a controlling interest in any limited company?</b></p>	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
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If YES name the relevant companies:

COMPANY NAME	COMPANY REGISTRATION NUMBER (if not registered in England & Wales, state where registered)
EIS Financial Services Ltd	Scotland SC 122216

<p><b>Are the shares which are controlled by the union registered in the names of the union's trustees?</b></p>	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
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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 £
<b>INCOME</b>			
From Members	6,420,546	72,674	6,493,220
From Investments	970,686	77,035	1,047,721
Other Income (including increases by revaluation of assets)	4,376,820	89,760	4,466,580
<b>Total Income</b>	11,768,052	239,469	12,007,521
<b>EXPENDITURE</b> (including decreases by revaluation of			
<b>Total Expenditure</b>	10,844,817	127,501	10,972,318
<b>Funds at beginning of year</b> (including reserves) *	32,532,355	2,177,753	34,710,108
<b>Funds at end of year</b> (including reserves)	33,455,590	2,289,721	35,745,311
*As Restated under FRS102			
<b>ASSETS</b>			
Fixed Assets			5,050,556
Investment Assets			36,219,589
Other Assets			4,104,669
		<b>Total Assets</b>	45,374,814
<b>LIABILITIES</b>			
		<b>Total Liabilities</b>	9,629,503
<b>NET ASSETS (Total Assets less Total Liabilities)</b>			35,745,311

## **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><i>Larry Francis</i></u> Name: <u>LARRY FRANCIS</u> Date: <u>9th March 2017</u>	Chairman's Signature: <u><i>Alan K. Menzo</i></u> (or other official whose position should be stated) Name: <u>ALAN K. Menzo</u> Date: <u>9/3/17</u>
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## 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"/>
IS A MEMBERSHIP AUDIT CERTIFICATE PROVIDED (See Pages 23 and 24 and Notes 88 to 94)	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

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 2016 on pages 2 to 30 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 31, 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102)

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 2016 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 including Financial Reporting Standard 102 (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 returns adequate for our audit have not been received from branches not visited by us; 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: 09 March 2017

## AUDITOR'S REPORT (section one)

Signature(s) of auditor or auditors:	<i>Ln Watts</i>	
Name(s):	LAINOS WATTS	
Profession(s) or Calling(s):	CHARTERED ACCOUNTANTS	
Address(es):	4 COURT 3 QUANTITY STREET DUBLIN E14 5BP	
Date:	09-03-17	
Contact name and telephone number:	KEITH BROWN 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.

# MEMBERSHIP AUDIT CERTIFICATE

(see notes 88 to 94)

made in accordance with section 24ZD of the  
Trade Union and Labour Relations (Consolidation) Act 1992.

At the end of the reporting period preceding the one to which this audit relates was the total membership of the trade union greater than 10,000?

YES

If "YES" please complete SECTION ONE below or provide the equivalent information on a separate document to be submitted with the completed AR21.

## MEMBERSHIP AUDIT CERTIFICATE SECTION ONE

*For a trade union with more than 10,000 members, required by section 24ZB of the 1992 Act to appoint an independent assurer*

1. In the opinion of the assurer appointed by the trade union was the union's system for compiling and maintaining its register of the names and addresses of its members satisfactory to secure, so far as is reasonably practicable, that the entries in its register were accurate and up-to-date throughout the reporting period?

YES

2. In the opinion of the assurer has he/she obtained the information and explanations necessary for the performance of his/her functions?

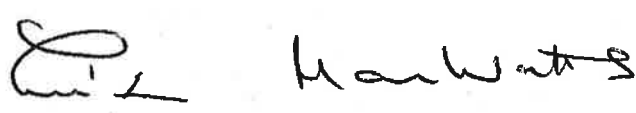
YES

If the answer to **either** questions 1 or 2 above is "NO" the assurer must:

- (a) set out below the assurer's reasons for stating that
- (b) provide a description of the information or explanation requested or required which has not been obtained
- (c) state whether the assurer required that information or those explanations from the union's officers, or officers of any of its branches or sections under section 24ZE of the 1992 Act
- (d) **send a copy of this certificate to the Certification Officer as soon as is reasonably practicable after it is provided to the union.**



# MEMBERSHIP AUDIT CERTIFICATE (continued)

Signature of assurer	
Name	GRASCA KERR J HAINES WATTS
Address	9 COURT 3 QUANTITY STREET EDINBURGH EH4 5BP
Date	9-03-17
Contact name and telephone number	KEITH BROWN 0131 625 5151

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 2016 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

	<b>Members Dues £</b>	<b>Other Income £</b>	<b>Total Income £</b>	<b>Total Expenditure £</b>
General Fund	5,655,884	645,880	6,301,764	6,816,113
Professional Fund		362,489	362,489	252,889
Local Associations	<u>764,662</u>	<u>14,142</u>	<u>778,804</u>	<u>798,327</u>
	<u>6,420,546</u>	<u>1,022,511</u>	<u>7,443,057</u>	<u>7,867,329</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

	<b>£</b>
Total Income	149,709
Total Expenditure	127,501

3. Other Information

The salary paid, including employer's superannuation and benefits provided to or in respect of the General Secretary, as included in the Annual Return to the Certification Officer, amounted to £125,785 comprising £96,544 in salary and £29,241 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 2016 on pages 2 to 30 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 31, 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102)

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 2016 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 including Financial Reporting Standard 102 (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 returns adequate for our audit have not been received from branches not visited by us; 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

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

Dated: 9 March 2017

#### **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**

**1. DUES OF MEMBERSHIP**

	2016 £	2016 £	2015 £
Total Received		5,655,884	<u>5,590,290</u>
Less:			
Allocation to Professional Fund	-		27,951
Donation to Benevolent Fund	-		<u>21,306</u>
Collection Charges	<u>20,377</u>	20,377	<u>49,257</u>
		<u>5,635,507</u>	<u>5,541,033</u>

Council at its meeting on 8 May 2015 decided that there would be no donation from members Subscriptions to the Institute's Benevolent Fund in the year to 31 August 2016 (2015 0.5%) Council also decided at its meeting on 8 May 2015 that the former allocation of 2.5% of Subscriptions to the Professional Fund would remain suspended for the year to 31 August 2016.

**2. INTERNATIONAL RELATIONS EXPENSES**

	2016 £	2015 £
Affiliation Fees	82,778	77,150
Other Expenses	131	3,278
International Aid (See Note 19)	<u>56,616</u>	<u>57,903</u>
	<u>139,525</u>	<u>138,331</u>

**3. OTHER ORGANISATION EXPENSES**

	2016 £	2015 £
Conferences - Education	-	(768)
Conferences - Equality	20	1,343
Secretaries Meetings	5,114	3,176
Expenses of Delegates to Conferences	10,606	3,672
Training Courses for Representatives (Executive, FELA, Equality)	23,783	16,893
Miscellaneous	2,121	7,033
	<u>41,644</u>	<u>31,349</u>

**4. PUBLICITY PRINTING & STATIONERY**

	2016 £	2015 £
Student Recruitment	75,160	45,206
Members Diaries	44,313	45,165
Copy Charges	22,326	21,424
Policy Papers - Education & Equality	10,576	649
Stationery, Publications & Printing	<u>69,330</u>	<u>58,150</u>
	<u>221,705</u>	<u>170,594</u>

**5. INFORMATION TECHNOLOGY COSTS**

	2016 £	2015 £
Internet Site Development & Licencing	14,701	15,454
Software Licencing & Maintenance Agreements	16,022	12,609
Development	12,476	7,235
On Site Support	61,227	59,006
Other - Including Installations/Configuratlons, Sales of Surplus PC's	<u>4,372</u>	<u>3,619</u>
	<u>108,798</u>	<u>97,923</u>

**NOTES ON GENERAL FUND ACCOUNTS (CONTD)**

**6. THE SCOTTISH EDUCATIONAL JOURNAL**

	2016	2016	2015
	£	£	£
Income			
Subscriptions and Sales			10,132
Advertising and Contributions		8,495	10,132
		<u>8,495</u>	<u>10,132</u>
Expenditure			
Printing, Design, and Paper	79,381		54,168
Postage	95,547		104,715
		<u>174,928</u>	<u>158,883</u>
Net Cost of Production		<u>166,433</u>	<u>148,751</u>

**7. AFFILIATION FEES, RESEARCH, GRANTS AND SUBSCRIPTIONS**

	2016	2015
	£	£
Research Commissions	3,725	461
Sponsorship of the Arts	30,100	28,200
Other Affiliations Donations Etc.	17,051	21,642
	<u>50,876</u>	<u>50,303</u>

**8. CAPITAL COMMITMENT**

The Institute commenced the refurbishment of the basement of Number 47 Moray Place, which was formerly the residential caretaker's accommodation, to convert it into a 3 bedroom property suitable for long term letting in October 2016. The estimated total cost of the project, inclusive of fees, amounts to £200,000 with the main contract tender submitted by P M Sinclair in the sum of £156,000. The Institute's Finance Sub Committee decided at its meeting on 29 September 2016 not to proceed with the proposal to convert the basement of Number 48 Moray Place, referred to in the 2015 Accounts, into a similar residential property.

**9. MOVEMENTS ON PENSION RESERVES**

As part of the implementation of FRS102 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) 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.

(b) 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.

(a) and (b) together reflect the Pensions Finance Costs and are shown as (c) below.

(d) Administrative Costs

This is an estimate of the Scheme's administrative costs for the year.

(f) 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

**NOTES ON GENERAL FUND ACCOUNTS (CONTD)**

As FRS 102 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.

**(g) Paid in Year**

Finally the net amount of all these adjustments has been deducted from the Deficit 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 General Fund Reserve on the General Fund Balance Sheet.

<u>Summary</u>	<u>Pension Scheme</u> £	<u>Unfunded Arrangement</u> £	Total 2016 £	Total 2015 £
(a) Pensions Liabilities Interest	930,000	76,000	1,006,000	972,000
(b) Expected Return On Assets	(839,000)		(839,000)	(1,191,000)
(c) Pensions Finance Costs (a)-(b)	91,000	76,000	167,000	(219,000)
(d) Administrative Costs	106,000		106,000	
(e) Charge to Income & Expenditure	197,000	76,000	273,000	(219,000)
(f) Current Service Cost	598,000	34,000	632,000	623,000
(g) Less Paid In Year	(473,000)	(77,000)	(550,000)	(526,000)
<b>Movement on Pensions</b>	<u>322,000</u>	<u>33,000</u>	<u>355,000</u>	<u>(122,000)</u>
<b>Movement in liability (note 21)</b>			<u>(3,332,000)</u>	<u>(1,608,000)</u>
			<u>(2,977,000)</u>	<u>(1,730,000)</u>

**10. HERITABLE PROPERTY**

At Valuation	2016 £	2015 £
46-48 Moray Place, Edinburgh	4,500,000	3,500,000
	<u>4,500,000</u>	<u>3,500,000</u>
<b>Depreciation</b>		
Aggregate Depreciation at 31 August 2015	166,666	83,333
Depreciation Charge	112,500	83,333
Released on Revaluation	(166,666)	
Aggregate Depreciation at 31 August 2016	<u>112,500</u>	<u>166,666</u>
<b>Net Balance at 31 August 2016</b>	<u>4,387,500</u>	<u>3,333,334</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 2016 Accounts at estimated market value with vacant possession.

The valuation was undertaken by J & E Shepherd, Chartered Surveyors of 3 Chester Street, Edinburgh on 12 January 2016 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 20 August 2014 valued the property at £3,500,000. The increase in value has been credited to the Revaluation Reserve and the aggregate depreciation as at 31 August 2015 released. The revalued property is being depreciated over its remaining working life.

Had the property continued to be included in the accounts at historical cost (£69,522) excluding the refurbishment work the carrying value at 31 August 2016 would have been £43,111.

Additional Depreciation charged in the year as a consequence of the Property Revaluation amounted to £111,110 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**

	2016 £	2015 £
<b>Cost or Valuation</b>		
Valuation at August 1996 or Subsequent Cost	803,438	986,413
Additions	<u>311,429</u>	<u>166,272</u>
	1,114,867	1,152,685
Disposals	<u>339,241</u>	<u>349,247</u>
Balance at 31 August 2016	<u><u>775,626</u></u>	<u><u>803,438</u></u>
<b>Depreciation</b>		
Aggregate Depreciation at 31 August 2015	613,805	881,284
Depreciation Charge	<u>90,111</u>	<u>72,700</u>
	703,916	953,984
Elimination in respect of Disposals	<u>337,052</u>	<u>340,179</u>
Aggregate Depreciation at 31 August 2016	<u><u>366,864</u></u>	<u><u>613,805</u></u>
Net Balance at 31 August 2016	<u><u>408,762</u></u>	<u><u>189,633</u></u>

**11(b). MOTOR VEHICLES**

	2016 £	2015 £
<b>Cost</b>		
Balance at 31 August 2015	201,895	176,648
Additions	<u>82,731</u>	<u>43,692</u>
	284,626	220,340
Disposals	<u>-</u>	<u>18,445</u>
Balance at 31 August 2016	<u><u>284,626</u></u>	<u><u>201,895</u></u>
<b>Depreciation</b>		
Aggregate Depreciation at 31 August 2015	98,700	72,681
Depreciation Charge	<u>46,482</u>	<u>34,089</u>
	145,182	106,770
Elimination in respect of Disposals	<u>-</u>	<u>8,070</u>
Aggregate Depreciation at 31 August 2016	<u><u>145,182</u></u>	<u><u>98,700</u></u>
Net Balance at 31 August 2016	<u><u>139,444</u></u>	<u><u>103,195</u></u>

**11(c). RECONCILIATION OF DEPRECIATION CHARGE**

	2016 £	2015 £
Depreciation Charge on		
Heritable Property	112,500	83,333
Office Furniture and Equipment	90,111	72,700
Motor Vehicles	46,482	34,089
Loss on Assets Sold	1,774	9,946
Charged In Income and Expenditure Account	<u><u>250,867</u></u>	<u><u>200,068</u></u>

**12. INVESTMENT PROPERTIES**

	2016 £	2015 £
6 Clairmont Gardens Glasgow	600,000	600,000
34 West George Street Glasgow	<u>95,000</u>	<u>95,000</u>
	<u><u>695,000</u></u>	<u><u>695,000</u></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 2016 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



**NOTES ON GENERAL FUND ACCOUNTS (CONTD)**

Surveyors (RICS) Appraisal and Valuation Standards (Fifth Edition) for secured lending purposes to determine 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 2016 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.

**13. SHARES & SECURITIES**

	Market Value	
	2016 £	2015 £
Bonds, Fixed Interest & Cash Funds	-	-
Ordinary Shares	7,773,662	7,537,602
UnitTrusts	9,942,548	7,736,179
	<u>17,716,210</u>	<u>15,273,781</u>

**14. LONG TERM LOAN**

	2016 £	2015 £
Unity Trust Bank	1,114,701	562,500
Less Repayable by 31 August 2017 included In Creditors	80,000	7,813
	<u>1,034,701</u>	<u>554,687</u>

On 29 May 2015 the Institute negotiated a Long Term Loan of £1,125,000 from Unity Trust Bank, of which £562,500 was drawn down in the year ended 31 August 2015 with the remaining £562,500 being drawn down in December 2015. The Loan was on an interest only basis for the first year, thereafter converting to monthly capital and interest payments over a 12 year period with interest charged quarterly. The first monthly capital and interest payment was paid on 1 July 2016 which amounted to £9,357.

The Loan carries interest at 2.5% over base rate and at 31 August 2016 the applicable rate was 2.75%. The Arrangement Fee for the Loan was £11,250 which had been paid in full by 31 August 2016.

**15. ADDITIONAL CONTRIBUTIONS TO PENSION SCHEME**

	2016 £	2015 £
Annual Contribution from Institute - Scheme Recovery Plan	-	265,000
Less Local Associations Contributions under Scheme Recovery Plan	-	(8,539)
	<u>-</u>	<u>256,461</u>

As the most recent Actuarial Valuation showed the Scheme to be in surplus the 2015 additional contribution represented the final payment under the Recovery Plan.

**16. EIS-UJA GENERAL FUND**

	2016 £	2015 £
Funds at 31 August 2015	70,988	70,876
Investment Income & Interest (net)	113	112
	<u>71,101</u>	<u>70,988</u>
Expenditure	-	-
Funds at 31 August 2016	<u>71,101</u>	<u>70,988</u>

**NOTES ON GENERAL FUND ACCOUNTS (CONTD)**

**17. EIS-ULA SPECIAL FUND**

	2016	2015
	£	£
Funds at 31 August 2015	249,917	248,360
Net Profit / (Loss) on Realisation of Investments	-	-
Investment Income & Interest (net)	<u>7,839</u>	<u>6,336</u>
	257,756	254,696
Expenditure	<u>2,106</u>	<u>4,779</u>
Funds at 31 August 2016	<u><u>255,650</u></u>	<u><u>249,917</u></u>

**18. REVALUATION RESERVE**

	2016	2015
	£	£
Balance at 31 August 2015	2,022,863	3,370,776
Increase on 2016 Revaluation of 46-48 Moray Place Edinburgh	1,000,000	
Agg Depn Released on 2016 Revaluation of 46-48 Moray Place Edinburgh	166,666	
Less: Addnl Depreciation as consequence of Revaluation	(111,110)	(81,943)
Less; Moray Place Refurbishment Costs to 31 August 2016 other than charged to Property Repairs Fund	<u>(414,964)</u>	<u>(1,265,970)</u>
Balance at 31 August 2016	<u><u>2,663,455</u></u>	<u><u>2,022,863</u></u>

The Revaluation Reserve is in relation to three properties - the Institute's Headquarters at 46-48 Moray Place Edinburgh. 46-48 Moray Place, Edinburgh was valued on 12th January 2016 at £4,500,000 (the previous valuation in 2014 was £3,500,000).

Prior to the various revaluations 46-48 Moray Place was included in the accounts at cost of £69,522.

**19. INTERNATIONAL AID FUND**

	2016	2015
	£	£
International Aid Fund Balance as at 1 September 2015	357,548	301,645
Allocation from General Fund of 1% of Members Subscriptions	<u>56,616</u>	<u>57,903</u>
	414,164	359,548
Less : Expenditure on Projects 2015/16	<u>(10,000)</u>	<u>(2,000)</u>
International Aid Fund 31 August 2016	<u><u>404,164</u></u>	<u><u>357,548</u></u>

**20. PROPERTY REPAIRS FUND**

	2016	2015
	£	£
Property Repairs Fund Balance as at 1 September 2015	-	100,016
Allocation from General Fund 2015/16	<u>50,000</u>	<u>20,000</u>
	50,000	120,016
Less : Expenditure on Property Repairs 2015/16	<u>50,000</u>	<u>120,016</u>
Property Repairs Fund 31 August 2016	<u><u>-</u></u>	<u><u>-</u></u>

Council, at its May meeting each year, in approving the Institute's Planned Expenditure for the forthcoming year, determines the contribution which will be made to the Property Repairs Fund in the following year.

In May 2015 Council decided the contribution in respect of 2015/16 would be £50,000.

2015/16 expenditure on Repairs was again substantially professional fees on the Moray Place refurbishment.

Expenditure in 2015/16 in excess of the Property Refurbishment Fund balance has been debited to the Revaluation Reserve. (See Note 18 above.)

**21. PENSIONS LIABILITIES**

	2016	2015
	£	£
Pension Scheme	(5,242,000)	(2,355,000)
Unfunded Arrangement	<u>(2,509,000)</u>	<u>(2,064,000)</u>
	<u><u>(7,751,000)</u></u>	<u><u>(4,419,000)</u></u>

## NOTES ON GENERAL FUND ACCOUNTS (CONTD)

The movement from 2015 to 2016 can be summarised as follows:

	2016 £'000	2015 £'000
Opening Deficit	(4,419)	(2,811)
Current Service Cost	(632)	(623)
Interest / Net Return of Investments	3,202	219
Contributions Regular	473	549
Contributions Additional	-	265
Administrative Costs	(106)	-
Actuarial Gains / (Losses) & Roundings	(6,269)	(2,018)
	(7,751)	(4,419)

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

## 22. RELATED PARTY DISCLOSURES

### (A) Key Management Remuneration

Key management personnel received remuneration in the year totalling £488,089.

### (B) 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 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 Institute's contributions to the Scheme are shown in Notes 15, 22 and 24.

As at 31 August 2016 a net amount of £22,097 was due to the Institute. (2015 £20,023 due to the Institute.)

### (C) 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 £85,000. The Board consists of 6 Directors of which 3 are Institute appointments. The accounts of EIS Financial Services Ltd for the year to 31 May 2016 disclose a profit of £195,901 after tax (2015 £143,152) and shareholder funds of £498,935. EIS Financial Services Ltd are tenants of the Institute's investment property 6 Clairmont Gardens, Glasgow and during the year the Institute charged £9,750 rent on normal commercial terms all of which had been paid at the year end. The Institute has granted the company two pages of advertising per issue in its publication, The Scottish Educational Journal without cost (retail value £10,550). The company has been invoiced £2,866 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 2016 the Institute was due £51,215 (2015 £35,951) from EIS Financial Services Ltd under the terms of the agreement. Additionally the Institute received a net Dividend of £80,523 (2015 £41,418). No other sums were due to or by the company at 31 August 2016.

### (D) Benevolent Fund

The Institute and its Benevolent Fund are related parties and as such there is a requirement to disclose material transactions between them. The Institute did not make a donation to the Fund in 2015/16. (In 2015 a donation of £27,951 was made, representing 0.5% of members' subscriptions.)

The administrative costs of operating the Benevolent Fund are met by the Institute.

As at 31 August 2016 there were no amounts due by either party. (2015 £2,484 due from the Fund to the Institute).

## 23. RETIREMENT BENEFITS - FINANCIAL REPORTING STANDARD NO. 102

Financial Reporting Standard No.102 (FRS102) 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 2014. The results have been updated to 31 August 2016 by a qualified independent actuary.

**NOTES ON GENERAL FUND ACCOUNTS (CONTD)**

Analysis of changes in the value of the Scheme liabilities over the year	2016	2015
	£	£
Value of liabilities at start of year	25,151,000	22,930,000
Service cost	598,000	687,000
Interest cost	930,000	892,000
Member contributions	188,000	184,000
Actuarial losses / (gains)	5,858,000	1,324,000
Benefits paid	<u>(797,000)</u>	<u>(866,000)</u>
Value of liabilities at end of year	<u>31,928,000</u>	<u>25,151,000</u>

Analysis of changes in the value of the Scheme assets over the year	2016	2015
	£	£
Market value of assets at start of year	22,796,000	22,195,000
Expected return on scheme assets	3,293,000	1,191,000
Actuarial gains / (losses)	-	(723,000)
Employer contributions	473,000	815,000
Member contributions	188,000	184,000
Interest Income	839,000	-
Administrative Costs	(106,000)	-
Benefits paid	<u>(797,000)</u>	<u>(866,000)</u>
Market value of scheme assets at end of year	<u>26,686,000</u>	<u>22,796,000</u>

Amounts recognised in Income and Expenditure Account	2016	2015
	£	£
Service cost	598,000	588,000
Administrative Costs	106,000	86,000
Net Interest Costs	91,000	25,000
Past Service Cost	-	99,000
Total pension cost charged to Income & Expenditure Account	<u>795,000</u>	<u>798,000</u>

**Reconciliation to the Balance Sheet**

	2016	2015
	£	£
Market value of assets	26,686,000	22,796,000
Present value of liabilities	<u>31,928,000</u>	<u>25,151,000</u>
(Deficit) in the Scheme	<u>(5,242,000)</u>	<u>(2,355,000)</u>

**Assets**

Scheme assets are invested in a diversified portfolio	<u>% of total</u>		<u>% of total</u>	
	<u>Market</u>	<u>Scheme</u>	<u>Market</u>	<u>Scheme</u>
	<u>Value</u>	<u>Assets</u>	<u>Value</u>	<u>Assets</u>
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>%</u>
<b>Asset class</b>				
Equities	15,854	59%	12,840	57%
Gilts	5,624	21%	4,870	21%
Bonds	2,696	10%	2,325	10%
Property	2,308	9%	2,319	10%
Cash /Other	206	1%	442	2%
	<u>26,686</u>	<u>100%</u>	<u>22,796</u>	<u>100%</u>

The actual return on assets over the period was £4,132,000 (2015 £554,000)

**NOTES ON GENERAL FUND ACCOUNTS (CONTD)**

The assumptions used by the actuary were as follows:

**Financial assumptions**

	<u>2016</u>	<u>2015</u>
Discount Rate	2.0%	3.7%
Retail prices inflation/Rate of increases of pensions in payment & deferreds	3.1%	3.5%
Consumer prices inflation	2.1%	2.5%
Salary Increases	4.1%	4.5%

**Life expectancies**

	31 Aug 2016		31 Aug 2015	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.3	24.5	23.5	24.7
Member age 45 (life expectancy at age 65)	25.0	26.3	25.1	26.5

**History of assets, liabilities, experience gains and losses**

	2016	2015	2014	2013	2012
	£000's	£000's	£000's	£000's	£000's
Market value of Scheme assets	26,686	22,796	22,195	19,984	17,997
Value of Scheme liabilities	<u>31,928</u>	<u>25,151</u>	<u>22,930</u>	<u>21,132</u>	<u>19,221</u>
Surplus / (Deficit) in the Scheme	<u>(5,242)</u>	<u>(2,355)</u>	<u>(735)</u>	<u>(1,148)</u>	<u>(1,224)</u>

**Gains / (Losses) arising on scheme liabilities:**

	2016	2015	2014	2013	2012
	£000's	£000's	£000's	£000's	£000's
Due to experience	-	(73)	6	-	(1,276)
%age of liabilities	-	0%	0%	0%	7%
Due to change of basis	-	(1,251)	(969)	(1,259)	(2,401)
%age of liabilities	-	(5%)	(4%)	(6%)	(12%)

**Experience gains/losses**

	2016	2015	2014	2013	2012
	£000's	£000's	£000's	£000's	£000's
Arising on Scheme assets	-	(723)	922	894	619
%age of assets	-	(3%)	4%	4%	3%

**Future funding obligation**

The last actuarial valuation of the Scheme was performed by the Actuary for the Trustees as at 31 August 2014. The Institute agreed to pay reduced annual contributions of 30.2% of members' pensionable salaries each year with effect from 1 September 2015. Prior to September 2015 the employer contribution rate was 30.4%. Additionally as the Actuarial Valuation revealed the Scheme to be in Surplus the requirement to pay to pay additional annual contributions of £265,000 for the period up to September 2019 ceased. The final annual contribution was paid to the scheme in September 2014.

The Institute expects to pay £553,000 to the Scheme during the accounting year beginning 1 September 2016.

**(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**

	2016	2015
	£	£
Value of liabilities at start of year	2,064,000	2,076,000
Service cost	34,000	35,000
Interest cost	76,000	80,000
Member contributions	-	-
Actuarial (gains) / losses	412,000	(52,000)
Benefits paid	<u>(77,000)</u>	<u>(75,000)</u>
Value of liabilities at end of year	<u>2,509,000</u>	<u>2,064,000</u>

**NOTES ON GENERAL FUND ACCOUNTS (CONTD)**

	2016	2015
	£	£
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	77,000	75,000
Member contributions	-	-
Benefits paid	<u>(77,000)</u>	<u>(75,000)</u>
Market value of scheme assets at end of year	-	-
Amounts recognised in Income and Expenditure Account		
Service cost	34,000	35,000
Interest cost	-	-
Expected return on plan assets	-	-
Net pension cost charged to Income & Expenditure Account	<u>34,000</u>	<u>35,000</u>

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

	2016	2015
	£	£
Actuarial losses / (gains)	<u>412,000</u>	<u>(52,000)</u>
Total amount recognised in STRGL	<u>412,000</u>	<u>(52,000)</u>

**Reconciliation to the Balance Sheet**

	2016	2015
	£	£
Market value of assets	-	-
Present value of liabilities	<u>2,519,000</u>	<u>2,076,000</u>
(Deficit) in the Scheme	<u>2,519,000</u>	<u>2,076,000</u>

**Financial assumptions**

	2016	2015
Discount Rate	2.0% pa	3.7% pa
Retail prices inflation	3.1% pa	3.5% pa
Consumer prices inflation	2.1% pa	2.5% pa
Salary increases	4.1% pa	4.5% pa
Rate of increases of pensions in payment Non- GMP	3.1% pa	3.5% pa
Rate of increases of pensions in payment Post 1988 GMP	1.9% pa	2.2% pa
Rate of increases for deferred pensioners	3.1% pa	3.5% pa

**Life expectancies**

	31 Aug 2016		31 Aug 2015	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.3	24.5	23.5	24.7
Member age 45 (life expectancy at age 65)	25.0	26.3	25.1	26.5

**History of assets, liabilities, experience gains and losses**

	2016	2015	2014	2013	2012
	£000's	£000's	£000's	£000's	£000's
Value of Scheme liabilities	<u>2,519</u>	<u>2,064</u>	<u>2,076</u>	<u>1,844</u>	<u>1,785</u>
Surplus / (Deficit) in the Scheme	<u>(2,519)</u>	<u>(2,064)</u>	<u>(2,076)</u>	<u>(1,785)</u>	<u>(1,806)</u>

**Gains / (Losses) arising on scheme liabilities:**

	2016	2015	2014	2013	2012
	£000's	£000's	£000's	£000's	£000's
Due to experience	-	143	(71)	4	(329)
%age of liabilities	-	7%	(3%)	0%	(18.4%)
Due to change of basis	-	(91)	(112)	(27)	(248)
%age of liabilities	-	(4%)	(5%)	(1%)	(13.9%)

The Institute expects to contribute an estimated £80,000 to its unfunded pension arrangement during the accounting year beginning 1 September 2016.

**NOTES ON GENERAL FUND ACCOUNTS (CONTD)**

**24. FRS 102 TRANSITION NOTES**

**Restated Balance Sheet  
General Fund**

	Note	2015 £	2014 £
Original reserves		11,510,144	11,311,946
2014 Changes		3,862,810	-
Shares & Securities at Market Value	i	(310,778)	3,314,476
Amalgamation of Investment reserve		43,642	2,918,702
Amalgamation of Pension reserve		(1,608,000)	(2,811,000)
Amalgamation of Revaluation reserve		-	440,632
<b>Restated reserves</b>		<b><u>13,497,818</u></b>	<b><u>15,174,756</u></b>

**Restated Balance Sheet  
Investment Reserve**

	2015 £	2014 £
Original reserves	2,962,344	2,918,702
2014 Changes	(2,918,702)	-
Amalgamation with General fund	(43,642)	(2,918,702)
<b>Restated reserves</b>	<b><u>-</u></b>	<b><u>-</u></b>

**Restated Balance Sheet  
Pension Reserve**

	2015 £	2014 £
Original reserves	(4,419,000)	(2,811,000)
2014 Changes	2,811,000	-
Amalgamation with General fund	1,608,000	2,811,000
<b>Restated reserves</b>	<b><u>-</u></b>	<b><u>-</u></b>

**Restated Balance Sheet  
Revaluation Reserve**

	2015 £	2014 £
Original reserves	2,463,495	3,811,408
2014 changes	(440,632)	-
Amalgamation with General fund	-	(440,632)
<b>Restated reserves</b>	<b><u>2,022,863</u></b>	<b><u>3,370,776</u></b>

**Restated surplus for the year ended 31 August 2015**

	£
Original surplus- General fund	372,716
Movement in Market Value of Shares & Securities	(310,778)
Amalgamation of Investment reserve	43,642
Amalgamation of Pension reserve	(1,608,000)
<b>Restated deficit- General fund</b>	<b><u>(1,502,420)</u></b>

**NOTES ON GENERAL FUND ACCOUNTS (CONTD)**

**Note i**

Shares and securities were held at cost under the previously applied accounting standards. However, FRS 102 requires that they be held at Market Value.

	£
Book Value in original accounts to 31 August 2014	12,116,479
Market Value at 31 August 2014	<u>15,430,955</u>
2014 Restatement required	<u><u>3,314,476</u></u>
Market Value at 31 August 2014	15,430,955
Cost of acquisitions in year	<u>153,604</u>
	15,584,559
Market Value at 31 August 2015	<u>15,273,781</u>
2015 Restatement required	<u><u>(310,778)</u></u>

**Note ii**

Movement in the fair value of investment properties was taken to the Revaluation Reserve under the previously applied accounting standards. However, under FRS 102 it must go through the P&L. As such the cumulative retained effect of prior revaluations on investment properties must be reallocated to the General fund.

	£
Fair value of investment properties at 31 August 2014 and 2015	695,000
Cost of investment properties at 31 August 2014 and 2015	<u>254,368</u>
2014 amalgamation required	<u><u>440,632</u></u>



NOTES ON PROFESSIONAL FUND
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**1. INVESTMENTS**

	Market Value	
	2016 £	2015 £
Government Securities	-	-
Bonds, Fixed Interest & Cash Funds	-	-
Ordinary Shares	7,260,284	6,726,877
Unit Trusts	<u>7,170,613</u>	<u>6,298,950</u>
	14,430,897	13,025,827
Cash In Bank	<u>540,047</u>	<u>155,206</u>
	<u><u>14,970,944</u></u>	<u><u>13,181,033</u></u>

**2. STRIKE HARDSHIP FUND**

	2016 £	2015 £
Balance at 31 August 2015	-	-
Contribution from Professional Fund	50,000	-
Disbursements	-	-
Balance at 31 August 2016	<u><u>50,000</u></u>	<u><u>-</u></u>

**NOTES ON PROFESSIONAL FUND (CONTD)**

**3. FRS 102 TRANSITION NOTES**

**Restated Balance Sheet  
Professional Fund**

	Note	2015 £	2014 £
Original reserves		6,858,229	6,632,184
2014 Changes		6,704,355	-
Shares & Securities at Market Value	I	(285,602)	3,014,746
Amalgamation of Investment reserve		42,050	3,689,609
<b>Restated reserves</b>		<u>13,319,032</u>	<u>13,336,539</u>

**Restated Balance Sheet  
Investment Reserve**

	2015 £	2014 £
Original reserves	3,731,659	3,689,609
2014 Changes	(3,689,609)	-
Amalgamation with General fund	(42,050)	(3,689,609)
<b>Restated reserves</b>	<u>-</u>	<u>-</u>

**Restated surplus for the year ended 31 August 2015**

	£
Original surplus- Professional fund	226,045
Movement in Market Value of Shares & Securities	(285,602)
Amalgamation of investment reserve	42,050
<b>Restated deficit- General fund</b>	<u>(17,507)</u>

**Note I**

Shares and securities were held at cost under the previously applied accounting standards. However, FRS 102 requires that they be held at Market Value.

	£
Book Value in original accounts to 31 August 2014	10,419,019
Market Value at 31 August 2014	13,433,765
<b>2014 Restatement required</b>	<u>3,014,746</u>
Market Value at 31 August 2014	13,433,765
Cost of acquisitions in year	32,870
	13,466,635
Market Value at 31 August 2015	13,181,033
<b>2015 Restatement required</b>	<u>(285,602)</u>

**NOTES ON POLITICAL FUND ACCOUNTS**

**1. INVESTMENTS**

	Market Value	
	2016	2015
	£	£
Government Securities	-	-
Bonds, Fixed Interest & Cash Funds	-	-
Ordinary Shares	2,000,765	1,667,155
Unit Trusts	-	-
	<u>2,000,765</u>	<u>1,667,155</u>
Cash In Bank	25,144	273,376
	<u>2,025,909</u>	<u>1,940,531</u>

**NOTES ON POLITICAL FUND ACCOUNTS (CONTD)**

**2. FRS 102 TRANSITION NOTES**

**Restated Balance Sheet  
Political Fund**

	Note	2015 £	2014 £
Original reserves		1,810,399	1,662,582
2014 Changes		463,169	-
Shares & Securities at Market Value	i	(365,932)	181,305
Amalgamation of Investment reserve		270,117	281,864
<b>Restated reserves</b>		<u><u>2,177,753</u></u>	<u><u>2,125,751</u></u>

**Restated Balance Sheet  
Investment Reserve**

	2015 £	2014 £
Original reserves	551,981	281,864
2014 Changes	(281,864)	-
Amalgamation with General fund	(270,117)	(281,864)
<b>Restated reserves</b>	<u><u>-</u></u>	<u><u>-</u></u>

**Restated surplus for the year ended 31 August 2015**

	£
Original surplus- Professional fund	147,817
Movement in Market Value of Shares & Securities	(365,932)
Amalgamation of investment reserve	270,117
<b>Restated deficit- General fund</b>	<u><u>52,002</u></u>

**Note i**

Shares and securities were held at cost under the previously applied accounting standards. However, FRS 102 requires that they be held at Market Value.

	£
Book Value in original accounts to 31 August 2014	1,856,962
Market Value at 31 August 2014	2,038,267
<b>2014 Restatement required</b>	<u><u>181,305</u></u>
Market Value at 31 August 2014	2,038,267
Cost of acquisitions in year	268,196
	2,306,463
Market Value at 31 August 2015	1,940,531
<b>2015 Restatement required</b>	<u><u>(365,932)</u></u>

**CONSOLIDATED BALANCE SHEET - 31 AUGUST 2016**

**NOTES**

**1. INVESTMENTS**

	Market Value	
	2016	2015
	£	£
Fixed Interest Securities	-	-
Ordinary Shares	17,034,711	15,931,634
Unit Trusts	17,113,161	14,035,129
	<u>34,147,872</u>	<u>29,966,763</u>
Heritable Property	695,000	695,000
Cash in Bank	911,249	600,224
Cash Loans	15,550	14,436
	<u>35,769,671</u>	<u>31,276,423</u>

**2. MOVEMENT OF FUNDS**

	2016	2015
	£	£
Total Funds at 31 August 2015	31,695,919	34,728,719
Net Surplus / (Deficit)	166,813	(1,467,925)
Increase in ULA General fund	113	112
Increase in ULA Special fund	5,733	1,557
Increase in Strike Support Fund 2016 (Additonal Contbtns to Pension Scheme 2015)	50,000	(256,461)
Increase / (Reduction) in Revaluation Reserve Net of Depreciation	751,702	(1,265,970)
Decrease in Property Refurbishment Fund	-	(100,016)
Increase in International Aid Fund	46,616	55,903
Total Funds at 31 August 2016	<u>32,716,896</u>	<u>31,695,919</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 Charly 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 £
(Deficit) /Surplus for the Year	(1,854,661)	1,909,506	111,968
Surplus on ULA Funds	5,846	-	-
Increase in Revaln Reserve Inc Addnl Depn	751,702	-	-
Contribution to Strike Support Fund	-	50,000	-
Increase in International Aid Fund	46,616	-	-
Reduction in Property Refurbishment Fund	-	-	-
Total Recognised Gains and Losses	<u>(1,050,497)</u>	<u>1,959,506</u>	<u>111,968</u>
			<u>1,020,977</u>

**CONSOLIDATED BALANCE SHEET - 31 AUGUST 2016**

**NOTES (CONTD)**

**5. FRS 102 TRANSITION NOTES**

**Restated Balance Sheet  
Consolidated**

	Note	2015 £	2014 £
Original reserves		26,147,704	28,218,192
2014 Changes		6,510,527	-
Shares & Securities at Market Value	i	<u>(962,312)</u>	<u>6,510,527</u>
Restated reserves		<u>31,695,919</u>	<u>34,728,719</u>

**Restated surplus for the year ended 31 August 2015**

	£
Original surplus	749,916
Movement in Market Value of Shares & Securities	(965,650)
Amalgamation of Investment reserve	355,809
Amalgamation of Pension reserve	<u>(1,608,000)</u>
Restated deficit	<u>(1,467,925)</u>

**Note i**

Shares and securities were held at cost under the previously applied accounting standards. However, FRS 102 requires that they be held at Market Value.

	£
Book Value in original accounts to 31 August 2014	12,116,479
Market Value at 31 August 2014	<u>15,430,955</u>
2014 Restatement required	<u>3,314,476</u>

Market Value at 31 August 2014	15,430,955
Cost of acquisitions in year	<u>153,604</u>

Market Value at 31 August 2015	15,273,781
2015 Restatement required	<u>(310,778)</u>

**Note ii**

Movement in the fair value of investment properties was taken to the Revaluation Reserve under the previously applied accounting standards. However, under FRS 102 it must go through the P&L. As such the cumulative retained effect of prior revaluations on investment properties must be reallocated to the General fund.

	£
Fair value of investment properties at 31 August 2014 and 2015	695,000
Cost of investment properties at 31 August 2014 and 2015	<u>254,368</u>
2014 amalgamation required	<u>440,632</u>

<b>NOTES ON CONSOLIDATED ACCOUNTS OF LOCAL ASSOCIATIONS</b>
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### 1. OFFICE FURNITURE AND EQUIPMENT

	2016 £	2015 £
<b>Cost</b>		
As at 31 August 2015	276,580	298,695
Additions	2,975	17,316
	279,555	316,011
Disposals	4,184	39,431
As at 31 August 2016	275,371	276,580
<b>Depreciation</b>		
Aggregate Depreciation 31 August 2015	142,045	158,570
Depreciation Charge for Year	23,160	22,744
	165,205	181,314
Elimination in respect of Disposals	4,484	39,269
Aggregate Depreciation 31 August 2016	160,721	142,045
<b>Net Book Value as at 31 August 2016</b>	<b>114,650</b>	<b>134,535</b>

### 2. INVESTMENTS

	Market Value	
	2016 £	2015 £
<b>Quoted</b>		
Government Securities	-	-
Ordinary Shares	25,652	25,647
Unit Trusts Etc.	207,368	187,925
Bonds & Fixed Interest	216,648	193,218
	449,668	406,790
<b>Unquoted</b>		
Ordinary Shares	250	250
Cash Loans/Deposits	-	-
	250	250
<b>Total</b>	<b>449,918</b>	<b>407,040</b>

### 3. MOVEMENT OF FUNDS

	2016 £	2015 £
Total Funds as at 31 August 2015	3,014,189	3,079,508
Prior Year Adjustments	(488)	(767)
Surplus/(Deficit) for Year	14,714	(64,552)
Total Funds as at 31 August 2016	3,028,415	3,014,189
<b>Subdivided Between :</b>		
General Funds	2,972,973	2,959,022
Benevolent and Other Funds	55,442	55,167
	3,028,415	3,014,189

**NOTES ON CONSOLIDATED ACCOUNTS OF LOCAL ASSOCIATIONS (CONTD)**

**4. FRS 102 TRANSITION NOTES**

**Restated Balance Sheet  
Local Associations**

	Note	2015 £	2014 £
Original reserves		2,924,460	3,002,147
2014 changes		77,361	-
Shares & Securities at Market Value	1	12,368	77,361
<b>Restated Reserves</b>		<u><u>3,014,189</u></u>	<u><u>3,079,508</u></u>

**Restated surplus for the year ended 31 August 2015**

	£
Original deficit- Professional fund	(76,920)
Movement in Market Value of Shares & Securities	12,368
<b>Restated deficit- General fund</b>	<u><u>(64,552)</u></u>

**Note 1**

Shares and securities were held at cost under the previously applied accounting standards. However, FRS 102 requires that they be held at Market Value.

	£
Book Value in original accounts to 31 August 2014	311,588
Market Value at 31 August 2014	388,949
2014 Restatement required	<u><u>77,361</u></u>
Market Value at 31 August 2014	388,949
Cost of acquisitions in year	5,723
	<u>394,672</u>
Market Value at 31 August 2015	407,040
2015 Restatement required	<u><u>12,368</u></u>



## ACCOUNTING POLICIES

### (1) **Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The Accounts are prepared under the historical cost convention modified by the revaluation of heritable property. The accounting policy concerning the valuation of heritable 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 2.5% per year on value taking into account subsequent revaluations.

This is the first year in which the Institute has adopted Financial Reporting Standard 102.

In preparing the accounts, the Officers of the Institute have considered whether in applying the accounting policies required by FSR 102 a restatement of comparative items was needed. Details of the restatements made in each Fund are contained within the notes to that Fund. Changes in accounting policies arising from the transition are described in Accounting Policy 3 below regarding quoted investments.

### **Significant judgements and estimates**

In preparing the financial statements, Officers make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances.

In the Officers' judgement there are no critical judgements and estimates which require to be disclosed for a proper understanding of these accounts. In the Officers' judgement there are no assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- (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 market value. This is a change from previous reporting periods, where quoted investments were held at cost with the net sale price ruling on the Balance Sheet date disclosed by way of note. 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. This policy is consistent with previous reporting periods.
- (4) A cash flow statement has not been provided, despite the requirement to do so under FRS 102. 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. This is consistent with previous reporting periods.

## ACCOUNTING POLICIES (CONTD)

### (5) Financial Instruments

Financial instruments comprise financial assets and financial liabilities which are recognized when the company becomes a party to the contractual provisions of the instrument. Financial instruments are classified as "basic" in accordance with FRS102 and are accounted for at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows over the life of the financial assets or liability to the net carrying amount on initial recognition. Discounting is not applied to short-term receivables and payables, where the effect is immaterial.

Financial assets at cost comprise cash, and trade and other debtors. Financial liabilities comprise bank loans and overdrafts, trade creditors, accruals and other creditors.

- (6) In accordance with FRS102, 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 within Long Term Liabilities. 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.).

## RESPONSIBILITIES OF THE INSTITUTE AND DISCLOSURE OF INFORMATION TO AUDITORS

- (1) The Institute is by law under the terms of the Trade Union and Labour Relations (Consolidation) Act 1992 and its constitution required 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. The Institute is required to:
- (a) select suitable accounting policies and then apply them consistently;
  - (b) make judgements and estimates that are reasonable and prudent;
  - (c) state whether applicable accounting standards have been followed;
  - (d) prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The Institute through its elected representatives and Officers is responsible for keeping proper accounting records and establishing and maintaining a satisfactory system of control over its accounting records and transactions in order to ensure that the accounts are in agreement with the accounting records and comply with the Trade Union and Labour Relations (Consolidation) Act 1992. The Institute is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

- (2) So far as the Finance Sub Committee as representatives of the Institute is aware, there is no relevant audit information of which the Institute's auditors are unaware, and each member of the Finance Sub-Committee has taken all the steps that he or she ought to have taken as a member of the Sub-Committee in order to make himself or herself aware of any relevant audit information and to establish that the Institute's auditors are aware of that information.