

- DO NOT STAPLE  
- PRINT ON ONE SIDE ONLY

CERTIFICATION OFFICE  
FOR TRADE UNIONS  
& EMPLOYERS' ASSOCIATIONS  
08 MAR 2013  
RECEIVED

# FORM AR21

is a True Copy  
of the Original

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 2012
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 <input type="checkbox"/> No <input checked="" type="checkbox"/> / (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  
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

Assistant Certification Officer  
for Scotland  
22 FEB 2013

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	12,927			14	12,941
FEMALE	43,352			41	43,393
TOTAL	56,279			55	A 56,334

Number of members included in totals box 'A' above for whom no home or authorised address is held:  
 Number of members at end of year contributing to the General Fund

None
54,950

## 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	Alan Munro	Susan Quinn	June 2012
Vicc-President	Susan Quinn	Phil Jackson	June 2012

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		5,732,214
<b>From Members:</b> Other income from members (specify)		
		5,732,214
<b>Total other income from members</b>		
<b>Total of all income from members</b>		5,732,214
<b>Investment income (as at page 12)</b>		510,108
<b>Other Income</b>		
Income from Federations and other bodies (as at page 4)		
Income from any other sources (as at page 4)	34,420	
<b>Total of other income (as at page 4)</b>		34,420
	<b>TOTAL INCOME</b>	<b>6,276,742</b>
<b>EXPENDITURE</b>		
<b>Benefits to members (as at page 5)</b>		1,252,572
<b>Administrative expenses (as at page 10)</b>		4,054,828
<b>Federation and other bodies (specify)</b>		
TUC /STUC Affiliations	221,669	
Education International	89,003	
International Aid	58,200	
Miscellaneous Affiliations	44,250	
<b>Total expenditure Federation and other bodies</b>		413,122
	<b>TOTAL EXPENDITURE</b>	<b>5,720,522</b>
		<b>Surplus (deficit) for year</b>
		556,220
Adjustments from FRS 17 –Pensions		(156,000)
Increase in International Aid Fund		56,400
Additional Employer Contributions to Pension Scheme		(256,461)
Increase in Property Refurbishment Fund		80,316
Exceptional Item (BCCI Repayment)		4,431
Amount of General Fund at beginning of year		13,762,712
Amount of General Fund at end of year		14,047,618

# 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>		
Profit / (Loss) on Realisation of Investments	(31,244)	
Commission	65,664	
<b>TOTAL OTHER INCOME</b>		34,420
<b>TOTAL OF ALL OTHER INCOME</b>		34,420

# ANALYSIS OF BENEFIT EXPENDITURE SHOWN AT GENERAL FUND

(see notes 21 to 23)

	£		£
Representation –		<b>brought forward</b>	1,252,572
Employment Related Issues	901,992	Education and Training services	
Representation –			
Non Employment Related Issues		Negotiated Discount Services	
Communications			
Scottish Educational Journal	172,972		
Diaries	46,286	Salary Costs	
Advisory Services			
Helplines	8,500	Other Benefits and Grants (specify)	
Dispute Benefits			
Other Cash Payments			
Members' Insurances	122,822		
<b>carried forward</b>	1,252,572	<b>Total (should agree with figure in General Fund)</b>	1,252,572

(See notes 24 and 25)

<b>FUND 2</b>		<b>Fund Account</b>	
<b>Name:</b>	<b>PROFESSIONAL FUND</b>	<b>£</b>	<b>£</b>
<b>Income</b>			
	From members		
	Investment income (as at page 12)		273,080
	Other income (specify)		
	Profit on Realisation of Investments		
	<b>Total other income as specified</b>		
	<b>Total Income</b>		273,080
<b>Expenditure</b>			
	Benefits to Members - Strike Pay	29,206	
	SNCT Ballots	1,500	
	Pensions Ballot & Campaign	210,365	
	GTCS Election Campaign	26,722	
	Marches & Rallies	9,240	
	Investment Management	5,583	
	Loss on realisation of Investments	269,742	
	Administrative expenses and other expenditure (as at page 10)	27,083	
	<b>Total Expenditure</b>		579,441
	<b>Surplus (Deficit) for the year</b>		(306,361)
	<b>Amount of fund at beginning of year</b>		9,951,446
	<b>Amount of fund at the end of year (as Balance Sheet)</b>		9,645,085
	<b>Number of Members contributing at end of year</b>		54,950

FUND 3		Fund Account	
Name:	LOCAL ASSOCIATION CONSOLIDATED	£	£
<b>Income</b>			
	From members		789,324
	Investment income (as at page 12)		20,100
	Other income (specify)		
	Miscellaneous	419	
	Gain on Disposal of Investments		
	<b>Total other income as specified</b>		419
	<b>Total Income</b>		809,843
<b>Expenditure</b>			
	Administrative expenses and other expenditure (as at page 10)		668,247
	Donations To Benevolent Fund		40,682
	Affiliation Fees		19,832
	Campaign Expenses		5,867
	Benefits to Members		4,461
	<b>Total Expenditure</b>		739,089
	Surplus for the year		70,754
	Amount of fund at beginning of year		2,911,681
	Prior Year Adjustment		1,302
	Amount of fund at the end of year (as Balance Sheet)		2,983,737
	Number of members contributing at end of year		52,342

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

(See notes 24 and 25)

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



<b>POLITICAL FUND ACCOUNT 1</b>		<b>To be completed by trade unions which maintain their own fund</b>	
		<b>£</b>	<b>£</b>
<b>Income</b>	Members contributions and levies		89,459
	Investment income (as at page 12)		52,014
	Other income (specify)		
	Total other income as specified		
	Total income		141,473
<b>Expenditure</b>	Expenditure under section 82 of the Trade Union and Labour Relations (Consolidation) Act 1992 (specify) – Publicity, Printing, Campaign Etc.	34,181	
	Administration expenses in connection with political objects (specify)		
	Investment Management Fees/ Taxation	5,015	
	Non-political expenditure		
	Total expenditure		39,196
	Surplus (deficit) for year		102,277
	Amount of political fund at beginning of year		1,611,004
	Amount of political fund at the end of year (as Balance Sheet)		1,713,281
	Number of members at end of year contributing to the political fund		48,660
	Number of members at end of the year not contributing to the political fund		***7,674
	Number of members at end of year who have completed an exemption notice and do not therefore contribute to the political fund		3,437

\*\*\* 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)

		£
<b>Administrative Expenses</b>		
Remuneration and expenses of staff		2,745,119
Salaries and Wages included in above	2,580,511	
Auditors' fees		32,625
Legal and Professional fees		67,867
Occupancy costs		383,743
Stationery, printing, postage, telephone, etc.		386,372
Expenses of Council & Committees (Head Office)		166,450
Expenses of conferences (AGM and SGM)		183,332
Other administrative expenses (specify)		
Miscellaneous Official Expenses / Functions		14,640
Training Costs / Local Association Secretaries Meetings		40,265
Information Technology Costs		86,147
General Insurance		38,321
Machine Leasing & Maintenance		37,209
Subscription Collection		40,784
Branch Expenses		85,383
Room Hire		16,957
Depreciation & Losses/Gains on Asset Disposals		239,771
Taxation		79,350
Outgoings on land and buildings – Expenses on Let Property		2,534
Internal Conferences		-
Visits to Branches		1,503
Expenses of Delegates to Outside Bodies		28,238
Miscellaneous (Including Learning Representatives £25,450)		73,548
	<b>Total</b>	4,750,158
Charged to:	General Fund (Page 3)	4,054,828
	Professional Fund	27,083
	Local Assocn Con Fund	668,247
	<b>Total</b>	4,750,158

# 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 (Ronnie Smith)	59,056	6,940	17,085	Car Mileage Payments	81	76,222
General Secretary (Larry Flanagan)	33,265	3,609	10,113	Car Mileage Payments		43,378

# 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)	49,237		748,897
Interest (gross) from:			
Government securities (Gilts)			
Mortgages			
Local Authority Bonds			
Bank and Building Societies	2,777		44,641
Other investment income (specify)			
	52,014		803,288
		Total investment income	855,302
		Credited to:	
		General Fund (Page 3)	510,108
		Professional Fund (Account)	273,080
		Local Assoc Consol Fund (Account)	20,100
		Political Fund	52,014
		Total Investment Income	855,302

# BALANCE SHEET as at 31 AUGUST 2012

(see notes 47 to 50)

Previous Year		£	£
3,352,334	<b>Fixed Assets</b> (at page 14)		3,212,568
	<b>Investments</b> (as per analysis on page 15)		
19,874,239	Quoted (Market value £ 23,172,007)	20,032,675	
1,082,533	Unquoted	1,624,529	
24,309,106	<b>Total Investments</b>		21,657,204
	<b>Other Assets</b>		
	Loans to other trade unions		
815,055	Sundry debtors	794,576	
6,656,508	Cash at bank and in hand	6,271,965	
	Income tax to be recovered		
	Stocks of goods		
	Others (specify)		
7,471,563	<b>Total of other assets</b>		7,066,541
31,780,669	<b>TOTAL ASSETS</b>		31,936,313
13,762,712	General Fund (Account 1)		14,047,618
9,951,446	Professional Fund (Account 2)		9,645,085
2,911,681	Local Association Consolidation Fund (Account 3)		2,983,737
1,611,004	Political Fund (Account)		1,713,281
	Revaluation Reserve		
	<b>LIABILITIES</b>		
	Amount held on behalf of central trade union political fund		
	Loans: From other trade unions		
	Loans: Other		
	Bank overdraft		
	Tax payable		
644,826	Sundry and Long Term Creditors		537,592
2,899,000	Pensions Liabilities		3,009,000
	Provisions		
	Other liabilities		
31,780,669	<b>TOTAL LIABILITIES</b>		31,936,313

## 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	3,000,000		1,267,643	147,736		4,415,379
Additions			42,707	94,106		136,813
Disposals			55,393	82,165		137,558
Revaluation/Transfers						
At end of year	3,000,000		1,254,957	159,677		4,414,634
<b>Accumulated Depreciation</b>						
At start of year	130,434		859,826	72,785		1,063,045
Charges for year	65,217		134,117	32,282		231,616
Disposals			50,356	42,239		92,595
Revaluation/Transfers						
At end of year	195,651		943,587	62,828		1,202,066
<b>Net book value at end of year</b>						
	2,804,349		311,370	96,849		3,212,568
<b>Net book value at end of previous year</b>						
	2,869,566		407,817	74,951		3,352,334

# ANALYSIS OF INVESTMENTS

(see notes 56 and 57)

QUOTED	All Funds Except Political Funds £	Political Fund £
Equities (e.g. Shares)	18,554,620	1,253,420
Government Securities (Gilts)	224,635	
Other quoted securities (to be specified)		
<b>TOTAL QUOTED (as Balance Sheet)</b>	<b>18,779,255</b>	<b>1,253,420</b>
Market Value of Quoted Investment	21,850,954	1,321,053
<b>UNQUOTED</b>		
Equities	113,250	
Government Securities (Gilts)		
Mortgages		
Bank and Building Societies	814,512	1,767
Other unquoted investments (to be specified)		
Heritable Property	695,000	
<b>TOTAL UNQUOTED (as Balance Sheet)</b>	<b>1,622,762</b>	<b>1,767</b>
Market Value of Unquoted Investments		

# ANALYSIS OF INVESTMENT INCOME (CONTROLLING INTERESTS)

(see notes 58 and 59)

<b>Does the union, or any constituent part of the union, have a controlling interest in any limited company?</b>		YES /	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		
<b>Are the shares which are controlled by the union registered in the names of the union's trustees?</b>		YES /	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 £
<b>INCOME</b>			
From Members	6,521,538	89,459	6,610,997
From Investments	803,288	52,014	855,302
Other Income (includes £56,400 increase in International Aid Fund, £80,316 increase in Property Refurbishment Fund, £65,664 Commission, £4,431 Exceptional Item, £1,302 PYA, and £419 Miscellaneous)	208,532		208,532
<b>Total Income</b>	7,533,358	141,473	7,674,831
<b>EXPENDITURE</b> (includes £256,461 additional pension contributions, £31,244 Loss on Realisation of Investments and £156,000 FRS17 Adjustment )			
<b>Total Expenditure</b>	7,482,757	39,196	7,521,953
<b>Funds at beginning of year</b> (including reserves)	26,625,839	1,611,004	28,236,843
<b>Funds at end of year</b> (including reserves)	26,676,440	1,713,281	28,389,721
<b>ASSETS</b>			
Fixed Assets			3,212,568
Investment Assets			21,657,204
Other Assets			7,066,541
		<b>Total Assets</b>	31,936,313
<b>LIABILITIES</b>			
		<b>Total Liabilities</b>	3,546,592
<b>NET ASSETS (Total Assets less Total Liabilities)</b>			28,389,721

## 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 Frangou</u> Name: <u>LARRY FRANGOU</u> Date: <u>Friday 22nd February 2013</u>	Chairman's Signature: <u>Colin Mackenzie</u> (or other official whose position should be stated) <u>(ACCOUNTANT)</u> Name: <u>COLIN MACKENZIE</u> Date: <u>22/2/13</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 2012 on pages 2 to 24 (of the accounts) 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. 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 described on page 24 (of the accounts), 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 the financial statements in accordance with relevant legal and regulatory requirements 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 2012 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
- 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

HW Edinburgh  
Chartered Accountants  
Statutory Auditors  
Q Court  
3 Quality Street  
Edinburgh EH4 5BP

.....  
Dated: 22 February 2013

**AUDITOR'S REPORT** (continued)

Signature(s):

Gordon Dallas CA on  
behalf of HW Edinburg

Name(s):

GORDON DALLAS CA

Profession(s) or Calling(s):

CHARTERED ACCOUNTANT

Address(es):

HW EDINBURGH  
22 COURT  
3 QUALITY STREET  
EDINBURGH EH4 5BP

Date:

22 February 2013

Contact name and telephone number:

GJ 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 2012 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	5,732,214	544,528	6,276,742	5,720,522
Professional Fund		273,080	273,080	579,441
Local Associations	<u>789,324</u>	<u>20,519</u>	<u>809,843</u>	<u>739,089</u>
	<u>6,521,538</u>	<u>838,127</u>	<u>7,359,665</u>	<u>7,039,052</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	141,473
Total Expenditure	39,196

3. Other Information

The salary paid, including employers' superannuation and benefits provided to or in respect of the General Secretaries, as included in the Annual Return to the Certification Officer, amounted to £119,600 comprising £92,321 in salaries and £27,279 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, HW Edinburgh, 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 2012 on pages 2 to 24 (of the Accounts). 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. 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 described on page 24 (of the Accounts), 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 the financial statements in accordance with relevant legal and regulatory requirements 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 2012 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
- 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

HW Edinburgh  
Chartered Accountants  
Statutory Auditors  
Q Court  
3 Quality Street  
Edinburgh EH4 5BP

Dated: 22 February 2013

### **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**

	2012 £	2012 £	2011 £
Total Received		5,819,506	<u>6,042,702</u>
Less: Allocation to Professional Fund			
Donation to Benevolent Fund	87,292		90,641
Collection Charges	<u>40,784</u>		<u>32,762</u>
		<u>128,076</u>	<u>123,403</u>
		<u>5,691,430</u>	<u>5,919,299</u>

Council at its meeting on 13 May 2011 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 2012. Council also decided at its meeting on 13 May 2011 that the former allocation of 2.5% of Subscriptions to the Professional Fund would remain suspended for the year to 31 August 2012.

**2. INTERNATIONAL RELATIONS EXPENSES**

	2012 £	2011 £
Affiliation Fees	89,003	96,510
Other Expenses	898	7,265
International Aid	58,200	60,400
	<u>148,101</u>	<u>164,175</u>

**3. OTHER ORGANISATION EXPENSES**

	2012 £	2011 £
Conferences - Education		337
Conferences - Equal Opportunities		8,872
Secretaries Meetings	4,632	2,797
Expenses of Delegates to Conferences	1,236	1,773
Training Courses for Representatives (Executive, FE/EA, Equalities)	31,583	25,966
Miscellaneous	1,503	2,608
	<u>38,954</u>	<u>42,353</u>

**4. PUBLICITY PRINTING & STATIONERY**

	2012 £	2011 £
Student Recruitment	80,576	37,921
Members Diaries	46,286	48,478
Copy Charges	28,009	19,980
Policy Papers - Education & Equalities (includes CfE Bulletins)	4,014	24,106
Stationery, Publications & Printing	74,434	61,381
	<u>233,319</u>	<u>191,866</u>

**5. INFORMATION TECHNOLOGY COSTS**

	2012 £	2011 £
Internet Site Devt & Licencing	9,194	8,398
Software Licencing & Maintenance Agreements	10,096	7,631
Development	8,052	12,983
On Site Support	56,619	53,304
Other - Including Installations/Configurations, Sales of Surplus PC's	2,186	1,718
	<u>86,147</u>	<u>84,034</u>

<b>NOTES ON GENERAL FUND ACCOUNTS (CONTD)</b>
---

## 6. THE SCOTTISH EDUCATIONAL JOURNAL

	2012 £	2012 £	2011 £
Income			
Subscriptions and Sales			
Advertising and Contributions		4,225	13,085
		<u>4,225</u>	<u>13,085</u>
Expenditure			
Printing, Design, and Paper	73,080		141,700
Postage	<u>104,323</u>		<u>102,790</u>
		177,403	244,490
Net Cost of Production		<u>173,178</u>	<u>231,405</u>

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

	2012 £	2011 £
Educational / Political Research & Grants		
Sponsorship of the Arts	26,750	31,200
Other Affiliations Donations Etc.	17,500	16,800
	<u>44,250</u>	<u>48,000</u>

## 8. EXCEPTIONAL ITEMS

Exceptional Items describe expenditure or income which, although within the scope of the Institute's normal activities, is disclosed separately because of its unusual nature or its significance to the accounts.

### Monies Received in relation to Deposit previously Written Off

Subsequent to the year end the Institute received a further payment from the liquidators of BCCI in respect of a Deposit which had been previously written off. This is anticipated to be the final payment.

Exceptional Item	2012 £	2011 £
BCCI Deposit Received	(4,431)	
	<u>(4,431)</u>	<u></u>

## 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:

### (1) 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

### (2) 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

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

by a year's discount to keep pace with current values.

**(3) 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.

Finally the net amount of all these adjustments has been deducted from (2011 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>Pension Scheme</u>	<u>Unfunded Arrangement</u>	Total 2012	Total 2011
	£	£	£	£
Current Service Cost	395,000	30,000	425,000	456,000
Interest on Pensions Liabilities	936,000	97,000	1,033,000	920,000
Expected Return On Assets	(952,000)		(952,000)	(825,000)
Paid In Year (Net of L.A. Contbn)	(485,000)	(67,000)	(552,000)	(552,000)
	<u>(106,000)</u>	<u>60,000</u>	<u>(46,000)</u>	<u>(1,000)</u>

**10. HERITABLE PROPERTY**

<b>At Valuation</b>	2012 £	2011 £
46-48 Moray Place, Edinburgh	3,000,000	3,000,000
	<u>3,000,000</u>	<u>3,000,000</u>
<b>Depreciation</b>		
Aggregate Depreciation at 31 August 2011	130,434	65,217
Depreciation Charge	65,217	65,217
Released on Revaluation		
Aggregate Depreciation at 31 August 2012	<u>195,651</u>	<u>130,434</u>
Net Balance at 31 August 2012	<u>2,804,349</u>	<u>2,869,566</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 2012 Accounts at estimated market value with vacant possession.

The valuation was undertaken by J & E Shepherd, Chartered Surveyors of 3 Chester Street, Edinburgh on 6 April 2010 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 was undertaken by J & E Shepherd, Chartered Surveyors of 3 Chester Street, Edinburgh on 28 March 2006 valued the property at £3,800,000. The reduction in value has been debited to the Revaluation Reserve and the aggregate depreciation as at 31 August 2009 released. The revalued property is being depreciated over its remaining working life which is estimated to be 44 years.

Had the property continued to be included in the accounts at historical cost (£69,522) the carrying value as at 31 August 2012 would have been £48,671.

Additional Depreciation charged in the year as a consequence of the Property Revaluation amounted to £63,827 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**

	2012	2011
	£	£
<b>Cost or Valuation</b>		
Valuation at August 1996 or Subsequent Cost	1,013,353	1,036,702
Additions	<u>32,727</u>	<u>150,473</u>
	1,046,080	1,187,175
Disposals	<u>29,213</u>	<u>173,822</u>
Balance at 31 August 2012	<u><u>1,016,867</u></u>	<u><u>1,013,353</u></u>
<b>Depreciation</b>		
Aggregate Depreciation at 31 August 2011	638,626	686,794
Depreciation Charge	<u>120,091</u>	<u>118,759</u>
	758,717	805,553
Elimination in respect of Disposals	<u>25,145</u>	<u>166,927</u>
Aggregate Depreciation at 31 August 2012	<u><u>733,572</u></u>	<u><u>638,626</u></u>
Net Balance at 31 August 2012	<u><u>283,295</u></u>	<u><u>374,727</u></u>

**11(b). MOTOR VEHICLES**

	2012	2011
	£	£
<b>Cost</b>		
Balance at 31 August 2011	147,736	163,363
Additions	<u>94,106</u>	<u>18,080</u>
	241,842	181,443
Disposals	<u>82,165</u>	<u>33,707</u>
Balance at 31 August 2012	<u><u>159,677</u></u>	<u><u>147,736</u></u>
<b>Depreciation</b>		
Aggregate Depreciation at 31 August 2011	72,785	56,834
Depreciation Charge	<u>32,282</u>	<u>24,985</u>
	105,067	81,819
Elimination in respect of Disposals	<u>42,239</u>	<u>9,034</u>
Aggregate Depreciation at 31 August 2012	<u><u>62,828</u></u>	<u><u>72,785</u></u>
Net Balance at 31 August 2012	<u><u>96,849</u></u>	<u><u>74,951</u></u>

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

	2012	2011
	£	£
Depreciation Charge on		
Heritable Property	65,217	65,217
Office Furniture and Equipment	120,091	118,759
Motor Vehicles	32,282	24,985
Loss on Assets Sold	7,185	8,067
Charged in Income and Expenditure Account	<u>224,775</u>	<u>217,028</u>

**12. INVESTMENT PROPERTIES**

	2012	2011
	£	£
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 2012 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. Had the properties continued to be included in the accounts at historical cost the carrying value as at 31 August 2012 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**

	Book Value		Market Value	
	2012 £	2011 £	2012 £	2011 £
Government Securities				
Bonds, Fixed Int. & Cash Funds				
Ordinary Shares	4,959,385	3,697,896	6,137,607	4,343,789
Unit/Investment Trusts	5,304,674	6,403,792	6,008,047	6,948,762
	<u>10,264,059</u>	<u>10,101,688</u>	<u>12,145,654</u>	<u>11,292,551</u>

**14. ADDITIONAL CONTRIBUTIONS TO PENSION SCHEME**

	2012 £	2011 £
Annual Contribution from Institute - Scheme Recovery Plan	265,000	265,000
Initial Contribution from Institute - Revised Scheme Recovery Plan		
Less: Local Association Shares refunded to Institute		
Initial Contribution under Revised Scheme Recovery Plan		
Annual Contribution under Scheme Recovery Plan	(8,539)	(8,539)
	<u>256,461</u>	<u>256,461</u>

**15. INVESTMENT RESERVE**

	2012 £	2011 £
Balance at 31 August 2011	2,436,023	2,317,763
Net (Loss) / Profit on Realisation of Investments	(31,244)	118,260
Balance at 31 August 2012	<u>2,404,779</u>	<u>2,436,023</u>

**16. EIS-ULA GENERAL FUND**

	2012 £	2011 £
Funds at 31 August 2011	70,526	70,435
Investment Income & Interest (net)	125	91
	<u>70,651</u>	<u>70,526</u>
Expenditure		
Funds at 31 August 2012	<u>70,651</u>	<u>70,526</u>

**17. EIS-ULA SPECIAL FUND**

	2012 £	2011 £
Funds at 31 August 2011	230,556	226,948
Net Profit / (Loss) on Realisation of Investments	0	0
Investment Income & Interest (net)	6,227	5,381
	<u>236,783</u>	<u>232,329</u>
Expenditure	8	1,773
Funds at 31 August 2012	<u>236,775</u>	<u>230,556</u>

**18. REVALUATION RESERVE**

	2012 £	2011 £
Balance at 31 August 2011	3,260,137	3,323,964
Decrease on 2010 Revaluation of 46-48 Moray Place Edinburgh		
Agg. Depn. Released on 2010 Revaluation of 46-48 Moray Place Edinburgh		
Increase on 2011 Revaluation of 6 Clairmont Gardens, Glasgow		
Increase on 2011 Valuation of 34 West George Street, Glasgow		
Less: Addnl Depreciation as consequence of Revaluation	(63,827)	(63,827)
Balance at 31 August 2012	<u>3,196,310</u>	<u>3,260,137</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 6th April 2010 at £3,000,000, 6 Clairmont Gardens was valued on 14th February 2010 at £600,000, and 34 West George St. was valued on 25 June 2010 at £95,000. Previously the properties had been included at cost of £69,522 (46-48 Moray Place), £166,631 (6 Clairmont Gardens) and £87,737 (34 West George St.). As investment properties 6 Clairmont Gardens and 34 West George St. are not depreciated.

### 19. INTERNATIONAL AID FUND

	2012	2011
	£	£
International Aid Fund Balance as at 1 September 2011	144,264	149,100
Allocation from General Fund 2011/12	<u>58,200</u>	<u>60,400</u>
	202,464	209,500
Less : Expenditure on Projects 2011/12	(1,800)	(65,236)
International Aid Fund 31 August 2012	<u><u>200,664</u></u>	<u><u>144,264</u></u>

### 20. PROPERTY REFURBISHMENT FUND

	2012	2011
	£	£
Property Repairs Fund Balance as at 1 September 2011		
Allocation from General Fund 2011/12	<u>100,000</u>	
	100,000	
Less : Expenditure on Property Repairs 2011/12	19,684	
Property Repairs Fund 31 August 2012	<u><u>80,316</u></u>	

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

	2012	2011
	£	£
Pension Scheme	(1,224,000)	(1,093,000)
Unfunded Arrangement	<u>(1,785,000)</u>	<u>(1,806,000)</u>
	<u><u>(3,009,000)</u></u>	<u><u>(2,899,000)</u></u>

The movement from 2011 to 2012 can be summarised as follows:

	2012	2011
	£'000	£'000
Opening Deficit	(2,899)	(3,684)
Current Service Cost	(425)	(456)
Interest / Net Return of Investments	(81)	(95)
Contributions Regular	552	552
Contributions Additional	265	265
Actuarial Gains / (Losses) & Roundings	<u>(421)</u>	<u>519</u>
	<u><u>(3,009)</u></u>	<u><u>(2,899)</u></u>

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, 20 and 22.

As at 31 August 2012 a net amount of £7,002 was due to the Scheme. (2011 £15,970)

## 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 2012 disclose a profit of £118,586 (2011 £119,391) and shareholder funds of £320,841. EIS Financial Services Ltd are tenants of the Institute's investment property 6 Clairmont Gardens, Glasgow and during the year the Institute received the sum of £9,750 in respect of rental on normal commercial terms.

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 £2,532 for advertising taken on normal commercial terms of which £1,688 was due to the Institute at the year end. 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 2012 the Institute was due £30,288 (2011 £30,784) from EIS Financial Services under the terms of the agreement.

Additionally the Institute received a net Dividend of £67,157 (2011 £27,693)

No other sums were due to or by the company at 31 August 2012.

### (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 £87,292, equivalent to 1.5% of members' subscriptions to the Fund and also agreed to donate 1.5% of members' subscriptions in 2012/13. The administrative costs of operating the Benevolent Fund are met by the Institute.

As at 31 August 2012 the sum of £89,125 was due to the Fund by the Institute (2011 £116,309)

## 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 2009. The results have been updated to 31 August 2012 by a qualified independent actuary.

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

	2012 £	2011 £
Value of liabilities at start of year	17,421,000	17,137,000
Service cost	395,000	421,000
Interest cost	936,000	839,000
Member contributions	179,000	178,000
Actuarial losses / (gains)	1,125,000	(456,000)
Benefits paid	(835,000)	(698,000)
Value of liabilities at end of year	19,221,000	17,421,000

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

Market value of assets at start of year	16,328,000	15,123,000
Expected return on scheme assets	952,000	825,000
Actuarial gains / (losses)	619,000	150,000
Employer contributions	754,000	750,000
Member contributions	179,000	178,000
Benefits paid	(835,000)	(698,000)
Market value of scheme assets at end of year	17,997,000	16,328,000



## NOTES ON GENERAL FUND ACCOUNTS (CONTD)

### Amounts recognised in Income and Expenditure Account

Service cost	395,000	421,000
Interest cost	936,000	839,000
Expected return on plan assets	(952,000)	(825,000)
<b>Total pension cost charged to Income &amp; Expenditure Account</b>	<b>379,000</b>	<b>435,000</b>

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

	2012	2011
	£	£
Actuarial (gains) / losses	(506,000)	(606,000)
<b>Total amount recognised in STRGL</b>	<b>(506,000)</b>	<b>(606,000)</b>

### Reconciliation to the Balance Sheet

	2012	2011
	£	£
Market value of assets	17,997,000	16,328,000
Present value of liabilities	19,221,000	17,421,000
Surplus / (Deficit) in the Scheme	<b>(1,224,000)</b>	<b>(1,093,000)</b>

### 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>2012</u>	<u>Assets</u>	<u>2011</u>	<u>Assets</u>
	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>%</u>
Equities	9,619	53%	8,821	54%
Gilts	4,437	25%	3,679	23%
Bonds	3,601	20%	3,036	19%
Cash	324	2%	728	4%
Other	16	-	64	-
	<u>17,997</u>	<u>100%</u>	<u>16,328</u>	<u>100%</u>

The actual return on assets over the period was £1,571,000 (2011 £975,000)

The assumptions used by the actuary were as follows:

### Financial assumptions

	2012	2011
Discount Rate	4.1% pa	5.4% pa
Retail prices inflation	2.9% pa	3.4% pa
Consumer prices inflation	1.9% pa	2.4% pa
Salary Increases	3.9% pa	4.4% pa
Rate of increases of pensions in payment	2.9% pa	3.4% pa
Rate of increases for deferred pensioners	2.9% pa	3.4% pa

The overall expected return on assets assumption of 5.6% as at 31 August 2012 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:

Fixed interest securities - 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.

### Life expectancies

	31 Aug 2012		31 Aug 2011	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.0	24.5	22.9	24.4
Member age 45 (life expectancy at age 65)	24.9	26.4	24.8	26.3

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

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

	2012	2011	2010	2009	2008
	£000's	£000's	£000's	£000's	£000's
Market value of Scheme assets	17,997	16,328	15,123	12,477	12,408
Value of Scheme liabilities	19,221	17,421	17,137	16,565	16,655
Surplus / (Deficit) in the Scheme	<u>(1,224)</u>	<u>(1,093)</u>	<u>(2,014)</u>	<u>(4,088)</u>	<u>(4,247)</u>

Gains / (Losses) arising on scheme liabilities:

	2012	2011	2010	2009	2008
	£000's	£000's	£000's	£000's	£000's
Due to experience	1,276	(270)	287	13	12
%age of liabilities	7%	(2.0%)	1.7%	0.1%	0.1%
Due to change of basis	(2,401)	726			
%age of liabilities	(-12.0%)	4%			

Experience gains/losses

	2012	2011	2010	2009	2008
	£000's	£000's	£000's	£000's	£000's
Arising on Scheme assets	619	150	398	(1,136)	(1,006)
%age of assets	3.0%	1.0%	2.6%	-9.1%	-8.1%

The cumulative amount of actuarial gains and losses recognised in the STRGL since 2002 is £5,481,000 (losses)

**Future funding obligation**

The last actuarial valuation of the Scheme was performed by the Actuary for the Trustees as at 31 August 2009. The Institute decided to pay annual contributions of 30.4% of members' pensionable salaries each year. In addition the Institute agreed to pay deficit contributions of a one-off payment in July 2010 of £1,250,000 and annual payments of £265,000 for 10 years starting in September 2010. The Institute expects to pay a deficit payment of £265,000 to the Scheme during the accounting year beginning 1 September 2012, resulting in expected overall contributions over the year to 31 August 2012 of around £745,000. The Scheme is currently undergoing an Actuarial Valuation as at 31 August 2012.

**(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**

	2012	2011
	£	£
Value of liabilities at start of year	1,806,000	1,670,000
Service cost	30,000	35,000
Interest cost	97,000	81,000
Member contributions		
Actuarial (gains) / losses	(81,000)	87,000
Benefits paid	(67,000)	(67,000)
Value of liabilities at end of year	<u>1,785,000</u>	<u>1,806,000</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	67,000	67,000
Member contributions		
Benefits paid	(67,000)	(67,000)
Market value of scheme assets at end of year	<u>                    </u>	<u>                    </u>

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

**Amounts recognised in Income and Expenditure Account**

Service cost	30,000	35,000
Interest cost		
Expected return on plan assets		
<b>Net pension cost charged to Income &amp; Expenditure Account</b>	<b>30,000</b>	<b>35,000</b>

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

	2012	2011
	£	£
Actuarial (gains) / losses	(81,000)	(87,000)
<b>Total amount recognised in STRGL</b>	<b>(81,000)</b>	<b>(87,000)</b>

**Reconciliation to the Balance Sheet**

	2012	2011
	£	£
Market value of assets		
Present value of liabilities	1,785,000	1,806,000
<b>Surplus / (Deficit) in the Scheme</b>	<b>(1,785,000)</b>	<b>(1,806,000)</b>

**Financial assumptions**

	2012	2011
Discount Rate	4.1% pa	5.4% pa
Retail prices inflation	2.9% pa	3.4% pa
Salary Increases	3.9% pa	4.4% pa
Rate of increases of pensions in payment	2.9% pa	3.4% pa
Rate of increases for deferred pensioners	2.9% pa	3.4% pa

**Life expectancies**

	<b>31 Aug 2012</b>		<b>31 Aug 2011</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
Member age 65 (current life expectancy)	23.0	24.5	22.9	24.4
Member age 45 (life expectancy at age 65)	24.9	26.4	24.8	26.3

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

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Value of Scheme liabilities	1,785	1,806	1,670	1,519	1,707
<b>Surplus / (Deficit) in the Scheme</b>	<b>(1,785)</b>	<b>(1,806)</b>	<b>(1,670)</b>	<b>(1,519)</b>	<b>(1,707)</b>

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

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Due to experience	329	(184)	(98)	178	(207)
%age of liabilities	18.4%	(10.2%)	(5.9%)	11.7%	(12.1%)
Due to change of basis	(248)	97			
%age of liabilities	(13.9%)	5.40%			

The cumulative amount of actuarial losses recognised in the STRGL (since 2002) is £2,218,000.

The Institute expects to contribute an estimated £67,000 to its unfunded pension arrangement during the accounting year beginning 1 September 2012.

**NOTES ON PROFESSIONAL FUND**

**1. INVESTMENTS**

	Book Value		Market Value	
	2012 £	2011 £	2012 £	2011 £
Government Securities				
Bonds, Fixed Int. & Cash Funds	63,790	40,630	62,135	53,186
Ordinary Shares	4,340,468	3,178,134	5,471,072	3,791,851
Unit/Investment Trusts	3,926,981	5,123,288	4,089,045	5,051,181
	<u>8,331,239</u>	<u>8,342,052</u>	<u>9,622,252</u>	<u>8,896,218</u>
Cash in Bank	357,332	121,264	357,332	121,264
	<u>8,688,571</u>	<u>8,463,316</u>	<u>9,979,584</u>	<u>9,017,482</u>

**2. INVESTMENT RESERVE**

	2012 £	2011 £
Balance at 31 August 2011	3,616,319	3,617,707
Net (Loss) / Profit on Realisation of Investments	(269,742)	(1,388)
Balance at 31 August 2012	<u>3,346,577</u>	<u>3,616,319</u>

<b>NOTES ON POLITICAL FUND ACCOUNTS</b>
---

**1. INVESTMENTS**

	Book Value		Market Value	
	2012 £	2011 £	2012 £	2011 £
Government Securities				
Bonds, Fixed Int. & Cash Funds				
Ordinary Shares				
Unit /Investment Trusts	<u>1,253,420</u>	<u>1,253,420</u>	<u>1,321,053</u>	<u>1,269,289</u>
	1,253,420	1,253,420	1,321,053	1,269,289
Cash in Bank	<u>1,767</u>	<u>1,720</u>	<u>1,767</u>	<u>1,720</u>
	<u><u>1,255,187</u></u>	<u><u>1,255,140</u></u>	<u><u>1,322,820</u></u>	<u><u>1,271,009</u></u>

**2. INVESTMENT RESERVE**

	2012 £	2011 £
Balance at 31 August 2011	281,864	281,864
Net Profit / (Loss) on Realisation of Investments		
Balance at 31 August 2012	<u><u>281,864</u></u>	<u><u>281,864</u></u>

<b>NOTES ON CONSOLIDATED ACCOUNTS OF LOCAL ASSOCIATIONS</b>
---

### 1. OFFICE FURNITURE AND EQUIPMENT

	2012 £	2011 £
<b>Cost</b>		
As at 31 August 2011	254,090	271,312
Additions	9,980	9,266
	<u>264,070</u>	<u>280,578</u>
Disposals	26,180	26,488
As at 31 August 2012	<u>237,890</u>	<u>254,090</u>
<b>Depreciation</b>		
Aggregate Depreciation 31 August 2011	221,200	227,562
Depreciation Charge for Year	14,026	19,121
	<u>235,226</u>	<u>246,683</u>
Elimination in respect of Disposals	25,211	25,483
Aggregate Depreciation 31 August 2012	<u>210,015</u>	<u>221,200</u>
Net Book Value as at 31 August 2012	<u>27,875</u>	<u>32,890</u>

### 2. INVESTMENTS

	Book Value		Market Value	
	2012 £	2011 £	2012 £	2011 £
<b>Quoted</b>				
Government Securities	918	918	912	826
Ordinary Shares	5,531	5,531	17,079	16,310
Unit Trusts Etc.	130,582	123,704	128,104	116,374
Bonds & Fixed Interest	159,927	159,927	161,117	142,943
	<u>296,958</u>	<u>290,080</u>	<u>307,212</u>	<u>276,453</u>
<b>Unquoted</b>				
Ordinary Shares	250	250		
Cash Loans/Deposits				
	<u>250</u>	<u>250</u>		
<b>Total</b>	<u>297,208</u>	<u>290,330</u>		

### 3. MOVEMENT OF FUNDS

	2012 £	2011 £
Total Funds as at 31 August 2011	2,911,681	2,821,315
Prior Year Adjustments	1,302	(2,523)
Surplus for Year	70,754	92,889
Total Funds as at 31 August 2012	<u>2,983,737</u>	<u>2,911,681</u>
<b>Subdivided Between :</b>		
General Funds	2,930,189	2,855,493
Benevolent and Other Funds	53,547	56,188
	<u>2,983,737</u>	<u>2,911,681</u>