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FORM AR27

Trade Union and Labour Relations (Consolidation) Act 1992

ANNUAL RETURN FOR AN EMPLOYERS' ASSOCIATION

Name of Employers' Association:

Year ended:

List No:

Head or Main Office:

Website address (if available)

Has the address changed during the year to which the return relates? Yes No (Tick as appropriate)

General Secretary:

Contact name for queries regarding the completion of this return:

Telephone Number:

e-mail:

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 Office as below or by telephone to: 020 7210 3734

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

For Employers' Associations based in England and Wales:
Certification Office for Trade Unions and Employers' Associations
22nd Floor, Euston Tower, 286 Euston Road, London NW1 3JJ

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



LIST OF OFFICERS
AS AT 30 NOVEMBER 2016

President: J Howie

Vice President: A Johnstone

Past President: J A Campbell

Chief Executive: B Buchan

RETURN OF MEMBERS

(see note 9)

NUMBER OF MEMBERS AT THE END OF THE YEAR				
Great Britain	Northern Ireland	Irish Republic	Elsewhere Abroad (including Channel Islands)	TOTALS
358				358

OFFICERS IN POST

(see note 10)

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.

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 of Change
President	T Sreeves	J Howie	1 st January 2016
Vice-President	J Howie	A Johnstone	1 st January 2016

REVENUE ACCOUNT/GENERAL FUND

(see notes 11 to 16)

Previous Year			£	£
	INCOME			
1,044,889	From Members	Subscriptions, levies, etc		1,048,996
43,110	Investment income	Interest and dividends (gross)	45,578	
636		Bank interest (gross)	800	
		Other (specify)		
	Other income	Rents received		46,378
		Insurance commission		
		Consultancy fees		
		Publications/Seminars		
13,267		Miscellaneous – Annual dinner surplus	22,778	
20,000		EEF Pension scheme release	20,000	
31,104		Fair value changes	368,504	
				411,282
1,153,006	TOTAL INCOME			1,506,656
	EXPENDITURE			
	Administrative expenses			
713,981		Remuneration and expenses of staff	733,584	
76,100		Occupancy costs	76,371	
54,532		Printing, Stationery, Post	54,312	
5,637		Telephones	6,136	
35,532		Legal and Professional fees	32,550	
66,589		Miscellaneous – Motor & travel expenses	52,394	
6,295		General expenses	8,727	
11,362		Subscriptions	10,444	
	Other charges	Bank charges	1,755	974,518
2,069		Depreciation	10,000	
10,000		Sums written off		
		Affiliation fees		
		Donations		
		Conference and meeting fees		
		Expenses		
27,776		Miscellaneous – Unwinding of pension	26,174	
1,253		Loss on disposal of investment	2,113	
				40,042
3,964	Taxation			114,097
1,015,090	TOTAL EXPENDITURE			1,128,657
137,916	Surplus/Deficit for year			377,999
808,017	Amount of fund at beginning of year			945,933
945,933	Amount of fund at end of year			1,323,932

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 2		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNT 3		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
		Surplus (Deficit) for the year	
		Amount of fund at beginning of year	
		Amount of fund at the end of year (as Balance Sheet)	

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 4		Fund Account	
Name of account:		£	£
Income	From members		
	Investment income		
	Other income (specify)		
	Total Income		
Expenditure	Administrative expenses		
	Other expenditure (specify)		
	Total Expenditure		
	Surplus (Deficit) for the year		
Amount of fund at beginning of year			
Amount of fund at the end of year (as Balance Sheet)			

ACCOUNT 5		Fund Account	
Name of account:		£	£
Income	From members		
	Investment income		
	Other income (specify)		
Total Income			
Expenditure	Administrative expenses		
	Other expenditure (specify)		
	Total Expenditure		
Surplus (Deficit) for the year			
Amount of fund at beginning of year			
Amount of fund at the end of year (as Balance Sheet)			

ACCOUNTS OTHER THAN THE REVENUE ACCOUNT/GENERAL FUND

(see notes 17 to 18)

ACCOUNT 6		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

ACCOUNT 7		Fund Account	
Name of account:		£	£
Income	From members Investment income Other income (specify)		
		Total Income	
Expenditure	Administrative expenses Other expenditure (specify)		
		Total Expenditure	
	Surplus (Deficit) for the year		
	Amount of fund at beginning of year		
	Amount of fund at the end of year (as Balance Sheet)		

BALANCE SHEET AS AT 30 NOVEMBER 2016

(see notes 19 and 20)

Previous Year		£		£
24,167	Fixed Assets (as at page 11)			14,167
	Investments (as per analysis on page 13)			
1,115,945	Quoted (Market value £1,169,772)	1,169,772		
351,312	Unquoted	665,989		
	Total Investments			1,835,761
	Other Assets			
35,974	Sundry debtors	66,794		
188,418	Cash at bank and in hand	219,175		
	Stocks of goods			
	Others (specify)			
	Total of other			285,969
	assets			
1,715,816			TOTAL ASSETS	2,135,897
7,500	Capital Reserve Fund (Account)	7,500		
938,434	Income & Expenditure Fund (Account)	1,316,433		
	Fund (Account)			
	Revaluation Reserve			
	Liabilities			
	Loans			
53,402	Bank overdraft	35,475		
3,682	Tax payable	7,781		
59,751	Sundry creditors	39,000		
37,197	Accrued expenses	47,732		
615,850	Provisions	681,976		
	Other liabilities			
1,715,816			TOTAL LIABILITIES	2,135,897
1,715,816			TOTAL ASSETS	2,135,897

FIXED ASSETS ACCOUNT

(see note 21)

	Land & Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total
	£	£	£	£
COST OR VALUATION				
At start of period			50,000	50,000
Additions during period			-	-
Less: Disposals during period			-	-
Less: DEPRECIATION:			35,833	35,833
Total to end of period			35,833	35,833
BOOK AMOUNT at end of period			14,167	14,167
Freehold				
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
AS BALANCE SHEET			14,167	14,167

ANALYSIS OF INVESTMENTS

(see note 22)

		Other Funds £
QUOTED	British Government & British Government Guaranteed Securities	
	British Municipal and County Securities	
	Other quoted securities (to be specified)	1,169,772
	TOTAL QUOTED (as Balance Sheet)	1,169,772
	*Market Value of Quoted Investments	1,169,772
UNQUOTED	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted securities (to be specified)	665,989
	TOTAL QUOTED (as Balance Sheet)	665,989
	*Market Value of Unquoted Investments	665,989

* Market value of investments to be stated where these are different from the figures quoted in the balance sheet

ANALYSIS OF INVESTMENT INCOME (CONTROLLING INTERESTS)

(see notes 23 to 25)

Does the association, or any constituent part of the association, have a controlling interest in any limited company?

YES

NO

If YES name the relevant companies:

COMPANY NAME

COMPANY REGISTRATION NUMBER (if not registered in England & Wales, state where registered)

INCORPORATED EMPLOYERS' ASSOCIATIONS

Are the shares which are controlled by the association registered in the association's name

YES

NO

If NO, please state the names of the persons in whom the shares controlled by the association are registered.

COMPANY NAME

NAMES OF SHAREHOLDERS

UNINCORPORATED EMPLOYERS ASSOCIATIONS

Are the shares which are controlled by the association registered in the names of the association's trustees?

YES

NO

If NO, state the names of the persons in whom the shares controlled by the association are registered.

COMPANY NAME

NAMES OF SHAREHOLDERS

SUMMARY SHEET

(see notes 26 to 35)

	All funds except Political Funds £	Political Funds £	Total Funds £
INCOME			
From Members	1,048,996		1,048,996
From Investments	45,578		45,578
Other Income (including increases by revaluation of assets)	412,082		412,082
Total Income	1,506,656		1,506,656
EXPENDITURE (including decreases by revaluation of assets)	1,128,657		1,128,657
Total Expenditure	1,128,657		1,128,657
Funds at beginning of year (including reserves)	945,933		945,933
Funds at end of year (including reserves)	1,323,932		1,323,932
ASSETS			
Fixed Assets			14,167
Investment Assets			1,835,761
Other Assets			285,969
		Total Assets	2,135,897
LIABILITIES			
		Total Liabilities	811,964
NET ASSETS (Total Assets less Total Liabilities)			1,323,933

NOTES TO THE ACCOUNTS

(see note 36)

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

See notes attached to the end of this return.

ACCOUNTING POLICIES


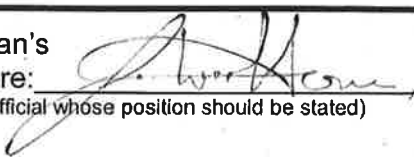
(see notes 37 and 38)

See accounting policies attached to the end of this return.

SIGNATURES TO THE ANNUAL RETURN

(see notes 39 and 40)

including the accounts and balance sheet contained in the return.

Secretary's Signature:  Name: E J P Smith Date: _____	Chairman's Signature:  (or other official whose position should be stated) Name: John Howie Date: _____
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CHECK LIST

(see note 41)

(please tick as appropriate)

IS THE RETURN OF OFFICERS ATTACHED? (see Page 3)	YES	✓	NO	
HAS THE RETURN OF CHANGE OF OFFICERS BEEN COMPLETED? (see Page 3)	YES	✓	NO	
HAS THE RETURN BEEN SIGNED? (see Note 38)	YES	✓	NO	
HAS THE AUDITOR'S REPORT BEEN COMPLETED (see Note 39)	YES	✓	NO	
IS A RULE BOOK ENCLOSED? (see Note 40)	YES	✓	NO	
HAS THE SUMMARY SHEET BEEN COMPLETED (see Notes 6 and 25 to 34)	YES	✓	NO	

AUDITOR'S REPORT

(see notes 42 to 47)

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 43 and 44)

YES/NO

If "No" please explain below.

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 43)

YES/NO

If "No" please explain below.

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 note 43)


YES/NO

If "No" please explain below.

4. Please set out a copy of the report made by the auditors or auditor to the union on the accounts to which this AR27 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 45)

AUDITOR'S REPORT (continued)

See audit report attached to the end of this return.

Signature(s) of auditor or auditors:		<i>Alastair C. Lamond</i>
Name(s):	John Wallace	Alastair Lamond
Profession(s) or Calling(s):	Chartered Accountant	ENGINEER
Address(es):	Director William Duncan & Co 30 Miller Road Ayr KA7 2AY	M.D. LAMOND AND MURRAY LTD BURNSIDE, INVERKEITHING FIFE KY11 1HT
Date:	02/02/2017	2A/02/2017
Contact name and telephone number:	01292 265071	01383 413541

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

SCOTTISH ENGINEERING

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCOTTISH ENGINEERING

We have audited the financial statements of Scottish Engineering for the year ended 30 November 2016 which comprise the Statement of Total Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is section 36 of the Trade Union and Labour Relations (Consolidation) Act 1992 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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

Respective responsibilities of members' representatives and auditors

As explained more fully in the members' representatives responsibilities statement set out on page 1, the members' representatives are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements are 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 association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members' representatives; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 30 November 2016 and of its profit for the year then ended and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Opinion on other matters

In our opinion, based on the work undertaken in the course of our audit, the information given in the Members' Representatives Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Members' Representatives Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the association and its environment obtained in the course of the audit, we have not identified any material misstatements in the Members' Representatives Report.

SCOTTISH ENGINEERING

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SCOTTISH ENGINEERING

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the association has not kept proper accounting records in accordance with section 28 of the 1992 Act; or
- it has not maintained a satisfactory system of control over its transactions in accordance with the requirements of that section; and
- the accounts to which the report relates do not agree with the accounting records.

John Wallace CA (Senior Statutory Auditor)
for and on behalf of William Duncan + Co

22 December 2016

Chartered Accountants
Statutory Auditor

30 Miller Road
Ayr
Ayrshire
KA7 2AY

Alastair Lamond (Employer Auditor)
for and on behalf of the members

22 December 2016

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2016

1 Accounting policies

Company information

Scottish Engineering is an association.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"). The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the association. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 30 November 2016 are the first financial statements of Scottish Engineering prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 December 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 12.

1.2 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

1.3 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	20% Straight Line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.4 Fixed asset investments

Interests in subsidiaries are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Transaction costs are expensed to profit or loss as incurred. Changes in fair value are recognised in other comprehensive income except to the extent that a gain reverses a loss previously recognised in profit or loss, or a loss exceeds the accumulated gains recognised in equity; such gains and loss are recognised in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

At each reporting period end date, the association reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the association estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the association's balance sheet when the association becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are measured at transaction price. There are no arrangements that constitutes a financing transaction, where the transaction would be measured at amortised cost using the effective interest rate method.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The association's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the association is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Retirement benefits

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

1 Accounting policies

(Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Operating profit

	2016	2015
	£	£
Operating profit for the year is stated after charging/(crediting):		
Fees payable to the association's auditor for the audit of the association's financial statements	7,780	7,600

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was 14 (2015 - 14).

4 Other gains/(losses)

	2016	2015
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	368,504	31,104
Other gains/(losses)		
Loss on disposal of financial assets held at fair value through profit or loss	(2,113)	(1,253)
	<u>366,391</u>	<u>29,851</u>

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

5	Taxation	2016	2015
		£	£
	Current tax		
	UK corporation tax on profits for the current period	7,781	3,964
		<u> </u>	<u> </u>
	Deferred tax		
	Origination and reversal of timing differences	106,316	-
		<u> </u>	<u> </u>
	Total tax charge	<u>114,097</u>	<u>3,964</u>
6	Tangible fixed assets		Plant and machinery etc
			£
	Cost		
	At 1 December 2015 and 30 November 2016		50,000
			<u> </u>
	Depreciation and impairment		
	At 1 December 2015		25,833
	Depreciation charged in the year		10,000
			<u> </u>
	At 30 November 2016		35,833
			<u> </u>
	Carrying amount		
	At 30 November 2016		14,167
			<u> </u>
	At 30 November 2015		24,167
			<u> </u>
7	Fixed asset investments	2016	2015
		£	£
	Investments	<u>1,835,761</u>	<u>1,467,257</u>

The shares in group undertakings represent a 100% owned subsidiary, Fyfe Chambers (First Floor) Limited, included at fair value.

The other investments other than loans represent a share portfolio held and managed on behalf of Scottish Engineering by Speirs & Jeffrey Nominees Limited, included at market value.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2016

7 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings	Other investments other than loans	Total
	£	£	£
Cost or valuation			
At 1 December 2015	351,312	1,115,945	1,467,257
Valuation changes	314,677	53,827	368,504
At 30 November 2016	665,989	1,169,772	1,835,761
Carrying amount			
At 30 November 2016	665,989	1,169,772	1,835,761
At 30 November 2015	351,312	1,115,945	1,467,257

8 Debtors

	2016	2015
	£	£
Amounts falling due within one year:		
Trade debtors	30,017	16,143
Other debtors	105	-
Prepayments and accrued income	36,672	19,831
	66,794	35,974

9 Creditors: amounts falling due within one year

	2016	2015
Notes	£	£
Bank loans and overdrafts	35,475	53,402
Corporation tax	7,781	3,682
Other taxation and social security	-	751
Other creditors	39,000	59,000
Accruals and deferred income	47,732	37,197
	129,988	154,032

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2016

10 Provisions for liabilities

	2016	2015
	£	£
Deferred tax liabilities	106,316	-
Retirement benefit obligations	575,660	615,850
	<u>681,976</u>	<u>615,850</u>

The retirement benefit obligations provision represents the associations share of the Engineering Employers' Federation Staff Pension Fund deficit. The associations share of the £25.2m deficit is 3.24%, this has been discounted using the Net Present Value calculation using the market rate of high quality corporate bonds.

11 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the association for motor vehicles. Leases are negotiated for an average term of 3 years and rentals are fixed.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

12 Reconciliations on adoption of FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) equity at the date of transition to FRS 102; (ii) equity at the end of the comparative period; and (iii) profit or loss for the comparative period reported under previous UK GAAP are given below.

Reconciliation of equity

	At 1 December 2014			At 30 November 2015		
	Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
Fixed assets						
Tangible assets	34,167	-	34,167	24,167	-	24,167
Investments	661,133	706,298	1,367,431	729,855	737,402	1,467,257
	<u>695,300</u>	<u>706,298</u>	<u>1,401,598</u>	<u>754,022</u>	<u>737,402</u>	<u>1,491,424</u>
Current assets						
Debtors	31,128	-	31,128	35,974	-	35,974
Bank and cash	193,749	-	193,749	188,418	-	188,418
	<u>224,877</u>	<u>-</u>	<u>224,877</u>	<u>224,392</u>	<u>-</u>	<u>224,392</u>
Creditors due within one year						
Loans and overdrafts	(37,563)	-	(37,563)	(53,402)	-	(53,402)
Taxation	(7,458)	-	(7,458)	(4,433)	-	(4,433)
Other creditors	(119,872)	-	(119,872)	(96,197)	-	(96,197)
	<u>(164,893)</u>	<u>-</u>	<u>(164,893)</u>	<u>(154,032)</u>	<u>-</u>	<u>(154,032)</u>
Net current assets	<u>59,984</u>	<u>-</u>	<u>59,984</u>	<u>70,360</u>	<u>-</u>	<u>70,360</u>
Total assets less current liabilities	<u>755,284</u>	<u>706,298</u>	<u>1,461,582</u>	<u>824,382</u>	<u>737,402</u>	<u>1,561,784</u>
Provisions for liabilities						
Pension obligations	-	(653,565)	(653,565)	-	(615,850)	(615,850)
Net assets	<u>755,284</u>	<u>52,733</u>	<u>808,017</u>	<u>824,382</u>	<u>121,552</u>	<u>945,934</u>
Capital and reserves						
Capital redemption	7,500	-	7,500	7,500	-	7,500
Profit and loss	747,784	52,733	800,517	816,882	121,552	938,434
Total equity	<u>755,284</u>	<u>52,733</u>	<u>808,017</u>	<u>824,382</u>	<u>121,552</u>	<u>945,934</u>

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2016

12 Reconciliations on adoption of FRS 102

(Continued)

Reconciliation of profit for the financial period

	Year ended 30 November 2015			FRS 102 £
	Previous UK GAAP £	Prior year adjustment £	Effect of transition £	
Turnover	1,044,889	-	-	1,044,889
Administrative expenses	(1,047,588)	65,491	-	(982,097)
Other operating income	33,267	-	-	33,267
Operating profit	30,568	65,491	-	96,059
Interest receivable and similar income	43,746	-	-	43,746
Interest payable and similar expenses	-	(27,776)	-	(27,776)
Amounts written off investments	(1,253)	31,104	-	29,851
Profit before taxation	73,061	68,819	-	141,880
Taxation	(3,964)	-	-	(3,964)
Profit for the financial period	69,097	68,819	-	137,916