

Employers' Association's details

Name of Employers' Association:

Scottish Engineering

Year ended:

30 November 2018

List number:

11 E (S)

Head or Main Office:

105 West George Street
Glasgow
G2 1QL

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

Yes

No

(Tick as appropriate)

Website address (if available)

www.scottishengineering.org.uk

General Secretary:

Chief Executive: Paul Sheerin

Contact name for queries regarding the completion of this return:

Mrs Rebecca Rigg

Telephone Number:

0141 221 3181

E-mail:

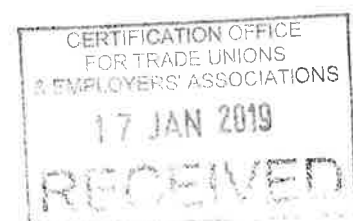
rebeccarigg@scottishengineering.org.uk

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 Office as below or by telephone to: 0330 109 3602.

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, Lower Ground Floor, Fleetbank House, 2-6 Salisbury Square, London, EC4Y 8JX.

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



Officers in post

(see note 10)

Please insert a complete list of all officers in post at the end of the year to which this form relates.

| Name of Officer | Position held |
|--------------------|----------------|
| Alastair Johnstone | President |
| Rodney Ayre | Vice-President |

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 |
| 332 | | | | 332 |

Change of officers

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

| Position held | Name of Officer ceasing to hold office | Name of Officer Appointed | Date of Change |
|----------------|--|---------------------------|------------------------------|
| President | J Howie | A Johnstone | 1 st January 2018 |
| Vice-President | A Johnstone | R Ayre | 1 st January 2018 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Revenue account/General Fund

(see notes 11 to 16)

| Previous Year | | £ | £ |
|---------------|--|----------|-----------|
| | Income | | |
| 1,002,314 | From Members Subscriptions, levies, etc | | 1,019,738 |
| 46,828 | Investment income Interest and dividends (gross) | 51,271 | |
| 53 | Bank interest (gross) | 324 | |
| | Other (specify) | | |
| | Other income Rents received | | 51,595 |
| | Insurance commission | | |
| | Consultancy fees | | |
| | Publications/Seminars | | |
| 20,039 | Miscellaneous – Annual Dinner Surplus | 14,343 | |
| 20,000 | EEF Pension Scheme | 19,000 | |
| 100,953 | Fair Value Changes | 1,167 | |
| | | | 34,510 |
| 1,190,187 | Total income | | 1,105,843 |
| | Expenditure | | |
| | Administrative expenses | | |
| 707,773 | Remuneration and expenses of staff | 744,943 | |
| 76,302 | Occupancy costs | 79,127 | |
| 42,913 | Printing, Stationery, Post | 46,357 | |
| 4,994 | Telephones | 5,707 | |
| 31,292 | Legal and Professional fees | 46,467 | |
| 52,241 | Miscellaneous – Motor & Travel Expense | 52,232 | |
| 7,387 | General Expenses | 7,938 | |
| 9,075 | Subscriptions | 9,293 | |
| | Other charges Bank charges | 2,448 | 992,064 |
| 1,953 | Depreciation | 4,167 | |
| 10,000 | Sums written off | | |
| | Affiliation fees | | |
| | Donations | | |
| | Conference and meeting fees | | |
| | Expenses | | |
| 24,466 | Miscellaneous – Unwinding of pension | 22,675 | |
| (514) | Loss/(Gain) on Disposal of Inv | (20,651) | |
| | Fair Value Changes | 59,237 | |
| | | | 67,876 |
| 19,125 | Taxation | | 65,304 |
| 987,007 | Total expenditure | | 1,125,244 |
| 203,180 | Surplus/Deficit for year | | (19,401) |
| 1,323,933 | Amount of fund at beginning of year | | 1,527,113 |
| 1,527,113 | Amount of fund at end of year | | 1,507,712 |

(See notes 11 to 16)

| 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) | |

(See notes 11 to 16)

| 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 2018

(see notes 19 and 20)

| Previous Year | | £ | £ |
|------------------|--|--------------------------|------------------|
| 4,167 | Fixed Assets (as at page 8) | | - |
| | Investments (as per analysis on page 9) | | |
| 1,386,183 | Quoted (Market value £) | 1,352,258 | |
| 671,284 | Unquoted | 672,451 | |
| | Total Investments | | 2,024,709 |
| | Other Assets | | |
| 41,882 | Sundry debtors | 47,833 | |
| 172,183 | Cash at bank and in hand | 179,284 | |
| | Stocks of goods | | |
| | Others (specify) | | |
| | Total of other assets | | 227,117 |
| 2,275,699 | | Total assets | 2,251,826 |
| | | | |
| 7,500 | Capital Reserve Fund (Account) | | 7,500 |
| 1,519,613 | Income & Expenditure Fund (Account) | | 1,500,212 |
| | Fund (Account) | | |
| | Revaluation Reserve | | |
| | Liabilities | | |
| | Loans | | |
| 40,756 | Bank overdraft | | - |
| 9,643 | Tax payable | | 4,148 |
| 19,000 | Sundry creditors | | 25,584 |
| 29,863 | Accrued expenses | | 47,827 |
| 649,324 | Provisions | | 666,555 |
| | Other liabilities | | |
| 2,275,699 | | Total liabilities | 2,251,826 |
| 2,275,699 | | Total assets | 2,251,826 |

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: | | | 50,000 | 50,000 |
| Total to end of period | | | 50,000 | 50,000 |
| Book amount at end of period | | | Nil | Nil |
| Freehold | | | | |
| Leasehold (50 or more years unexpired) | | | | |
| Leasehold (less than 50 years unexpired) | | | | |
| As balance sheet | | | Nil | Nil |

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) | 1,352,258 |
| | Total quoted (as Balance Sheet) | 1,352,258 |
| | *Market Value of Quoted Investments | 1,352,258 |
| | | |
| Unquoted | British Government Securities | |
| | British Municipal and County Securities | |
| | Mortgages | |
| | Other unquoted securities (to be specified) | 672,451 |
| | Total quoted (as Balance Sheet) | 672,451 |
| | *Market Value of Unquoted Investments | 672,451 |

* 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)

| | | | |
|--|--|------------------------------|--|
| Does the association, or any constituent part of the association, have a controlling interest in any limited company? | | YES <input type="checkbox"/> | NO <input checked="" type="checkbox"/> |
| 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 <input type="checkbox"/> | NO <input type="checkbox"/> |
| 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 <input type="checkbox"/> | NO <input type="checkbox"/> |
| 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 24 to 33)

| | All funds except Political Funds £ | Political Funds £ | Total Funds £ |
|---|--|--------------------------|---------------------|
| Income | | | |
| From Members | 1,019,738 | | |
| From Investments | 51,271 | | |
| Other Income (including increases by revaluation of assets) | 34,834 | | |
| Total Income | 1,105,843 | | |
| Expenditure (including decreases by revaluation of assets) | 1,125,244 | | |
| Total Expenditure | 1,125,244 | | |
| | | | |
| Funds at beginning of year (including reserves) | 1,527,113 | | |
| Funds at end of year (including reserves) | 1,507,712 | | |
| | | | |
| Assets | | | - |
| | Fixed Assets | | |
| | Investment Assets | | 2,024,709 |
| | Other Assets | | 227,117 |
| | | Total Assets | 2,251,826 |
| Liabilities | | Total Liabilities | 744,114 |
| | | | |
| Net assets (Total Assets less Total Liabilities) | | | 1,507,712 |

Notes to the accounts

(see note 34)

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 35 and 36)

See accounting policies attached to the end of this return.

Signatures to the annual return

including the accounts and balance sheet contained in the return.

(see notes 37 and 38)

Secretary's Signature:

Rebecca Rigg

Name: Rebecca Rigg

Date: 10/1/19

Chairman's Signature:

(or other official whose position should be stated)

A. Johnstone

Name: Alastair Johnstone

Date: 15th JAN 2019

Checklist

(see note 39)

(please tick as appropriate)

| | | | | |
|---|-----|---|----|--|
| Has the return of change of officers been completed? (see Page 2) | Yes | ✓ | No | |
| Has the list of officers been completed? (see page 2a) | 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 the rule book enclosed? (see Note 40) | Yes | | No | |
| Has the summary sheet been completed? (see Notes 6 and 25 to 34) | Yes | ✓ | No | |

Checklist for auditor's report

(see notes 40 to 44)

The checklist below is for guidance. A report is still required either set out overleaf or by way of an attached auditor's report that covers the 1992 Act requirements.

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)

Please explain in your report overleaf or attached.

2. 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)

Please explain in your report overleaf or attached.


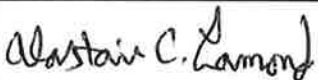
3. Your auditors or auditor must include in their report the following wording:

In our opinion the financial statements:

- **give a true and fair view of the matters to which they relate to.**
- **have been prepared in accordance with the requirements of the section 28 to 36 of the Trade Union and Labour Relations (consolidation) Act 1992.**

Auditor's report (continued)

See audit report attached to the end of this return.

| | | |
|--|---|---|
| Signature(s) of auditor or auditors: |  |  |
| Name(s): | John Wallace | Alastair Lamond |
| Profession(s) or Calling(s): | Chartered Accountant | ENGINEER |
| Address(es): | William Duncan & Co 30 Miller Road Ayr KA7 2AY | LAMOND + MURRAY LTD BURNSIDE WUSKETHWA FIKE KY11 1MT |
| Date: | | 11.01.2018 |
| Contact name for enquiries 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

Opinion

We have audited the financial statements of Scottish Engineering (the 'association') for the year ended 30 November 2018 which comprise the Profit And Loss Account, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is section 32 of the Trade Union and Labour Relations (Consolidation) Act 1992 (hereafter referred to as 'applicable law') and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 30 November 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Trade Union and Labour Relations (Consolidation) Act 1992.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the members' representatives use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members' representatives have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The members' representatives are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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.
-

SCOTTISH ENGINEERING

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SCOTTISH ENGINEERING

Matters on which we are required to report by exception

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 material misstatements in the Members' Representatives Report.

We have nothing to report in respect of the following matters where applicable law 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.

Responsibilities of members' representatives

As explained more fully in the Members' Representatives Report, the members' representatives are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members representatives determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members' representatives are responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members' representatives either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the members of the association. Our audit work has been undertaken so that we might state to the members of the association 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 members of the association, for our audit work, for this report, or for the opinions we have formed.

Mr John Wallace (Senior Statutory Auditor)
for and on behalf of William Duncan + Co Ltd
Chartered Accountants
Statutory Auditor

20 December 2018

30 Miller Road
Ayr
Ayrshire
KA7 2AY

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

20 December 2018

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2018

1 Accounting policies

Association information

Scottish Engineering is an employers association. The association provides a service to members for advice with health and safety, human resources and specific engineering industry queries.

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.

1.2 Turnover

Turnover is derived from subscriptions and is supplemented by training course, consultancies and rents. Turnover is recognised at fair value when received, and is shown net of VAT. Subscriptions are invoiced annually in December.

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 |
|-----------------------|-------------------|

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 association. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.5 Impairment of fixed assets

At each reporting period end date, the association reviews the carrying amounts of its tangible 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.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2018

1 Accounting policies

(Continued)

1.6 Cash at bank and in hand

Cash at bank and in hand 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 initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the association transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Derecognition of financial liabilities

Financial liabilities are derecognised when the association's contractual obligations expire or are discharged or cancelled.

1.8 Taxation

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

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2018

1 Accounting policies

(Continued)

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.

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 association 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

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

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.

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.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2018

1 Accounting policies

(Continued)

The net defined 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 Employees

The average monthly number of persons employed by the association during the year was 14 (2017 - 14).

3 Other gains/(losses)

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | £ | £ |
| Fair value gains/(losses) | | |
| Change in value of financial assets held at fair value through profit or loss | 1,167 | 5,295 |
| Change in the value of financial liabilities held at fair value through profit or loss | (59,237) | 95,658 |
| | <u> </u> | <u> </u> |

4 Taxation

| | 2018 | 2017 |
|--|-------------------|-------------------|
| | £ | £ |
| Current tax | | |
| UK corporation tax on profits for the current period | 4,148 | 9,643 |
| | <u> </u> | <u> </u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 61,156 | 9,482 |
| | <u> </u> | <u> </u> |
| Total tax charge | <u>65,304</u> | <u>19,125</u> |

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2018

5 Tangible fixed assets

| | Plant and machinery etc £ |
|---|------------------------------|
| Cost | |
| At 1 December 2017 and 30 November 2018 | 50,000 |
| Depreciation and impairment | |
| At 1 December 2017 | 45,833 |
| Depreciation charged in the year | 4,167 |
| At 30 November 2018 | 50,000 |
| Carrying amount | |
| At 30 November 2018 | - |
| At 30 November 2017 | 4,167 |

6 Fixed asset investments

| | 2018 £ | 2017 £ |
|-------------|-----------|-----------|
| Investments | 2,024,709 | 2,057,467 |

Movements in fixed asset investments

| | Shares in group undertakings £ | Other investments other than loans £ | Total £ |
|--------------------------|---|--|------------|
| Cost or valuation | | | |
| At 1 December 2017 | 671,284 | 1,386,183 | 2,057,467 |
| Additions | - | 263,730 | 263,730 |
| Valuation changes | 1,167 | (58,287) | (57,120) |
| Disposals | - | (239,368) | (239,368) |
| At 30 November 2018 | 672,451 | 1,352,258 | 2,024,709 |
| Carrying amount | | | |
| At 30 November 2018 | 672,451 | 1,352,258 | 2,024,709 |
| At 30 November 2017 | 671,284 | 1,386,183 | 2,057,467 |

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 2018

| 7 Debtors | | 2018 | 2017 |
|---|-------|-----------------------|-----------------------|
| Amounts falling due within one year: | | £ | £ |
| Trade debtors | | 17,959 | 11,627 |
| Other debtors | | - | 784 |
| Prepayments and accrued income | | 29,874 | 29,471 |
| | | <u>47,833</u> | <u>41,882</u> |
| | | <u><u>47,833</u></u> | <u><u>41,882</u></u> |
| | | | |
| 8 Creditors: amounts falling due within one year | | 2018 | 2017 |
| | Notes | £ | £ |
| Bank loans and overdrafts | | - | 40,756 |
| Corporation tax | | 4,148 | 9,643 |
| Other taxation and social security | | 25,584 | - |
| Other creditors | | - | 19,000 |
| Accruals and deferred income | | 47,827 | 29,863 |
| | | <u>77,559</u> | <u>99,262</u> |
| | | <u><u>77,559</u></u> | <u><u>99,262</u></u> |
| | | | |
| 9 Provisions for liabilities | | 2018 | 2017 |
| | | £ | £ |
| Deferred tax liabilities | | 176,954 | 115,798 |
| Retirement benefit obligations | 10 | 489,601 | 533,526 |
| | | <u>666,555</u> | <u>649,324</u> |
| | | <u><u>666,555</u></u> | <u><u>649,324</u></u> |
| | | | |
| 10 Retirement benefit schemes | | 2018 | 2017 |
| Defined contribution schemes | | £ | £ |
| Charge to profit or loss in respect of defined contribution schemes | | 55,487 | 53,555 |
| | | <u>55,487</u> | <u>53,555</u> |
| | | <u><u>55,487</u></u> | <u><u>53,555</u></u> |

The association operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the association in an independently administered fund.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2018

10 Retirement benefit schemes

(Continued)

Defined benefit schemes

A full actuarial valuation for the scheme was carried out at 31 March 2014 which showed a deficit of £25.2m. To eliminate this deficit, the Trustees have asked the participating employers to pay additional contributions to the scheme of £2m per annum.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement the association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

| <i>Key assumptions</i> | 2018 % | 2017 % |
|------------------------|------------------|------------------|
| Discount rate | 4.25 | 4.25 |

| <i>Amounts recognised in the profit and loss account</i> | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Net interest on defined benefit liability/(asset) | 22,675 | 24,466 |

The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:

| | 2018 £ | 2017 £ |
|--|------------------|------------------|
| Present value of defined benefit obligations | 489,601 | 533,526 |
| Deficit in scheme | 489,601 | 533,526 |

| <i>Movements in the present value of defined benefit obligations</i> | 2018 £ |
|--|------------------|
| Liabilities at 1 December 2017 | 533,526 |
| Benefits paid | (66,600) |
| Interest cost | 22,675 |
| At 30 November 2018 | 489,601 |

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2018

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.

At the reporting end date the association had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| 2018 | 2017 |
|--------|--------|
| £ | £ |
| 41,045 | 45,061 |