

Form AR27

Trade Union and Labour Relations (Consolidation) Act 1992

Annual Return for an Employers' Association

Name of Employers' Association:	Scottish Engineering				
Year ended:	30 November 2020				
List No:	11 E (S)				
Head or Main Office:	105 West George Street				
	Glasgow				
Postcode	G2 1QL				
Website address (if available)	www.scottishengineering.org.uk				
Has the address changed during the year to which the return relates?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	('X' in appropriate box)
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 1093602

You should sent the annual return to the following address stating the name of the union in subject:

For Employers' Associations based in England and Wales: returns@certoffice.org

For Employers' Associations based in Scotland: ymw@tcyoung.co.uk

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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
349				349

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	A Johnstone	R Ayre	1st January 2020
Vice-President	R Ayre	A Finlayson	1st January 2020

Revenue Account / General Fund

(see notes 11 to 16)

Previous Year			£	£
	Income			
1,037,197	From Members	Subscriptions, levies, etc	1,005,511	1,005,511
	Investment income	Interest and dividends (gross)		
1,028		Bank interest (gross)	634	634
		Other (specify)		
48,957		Interest and dividends (gross)	35,695	35,695
		Total Investment Income	36,329	36,329
	Other Income	Rents received		
		Insurance commission		
		Consultancy fees		
		Publications/Seminars		
		Miscellaneous receipts (specify)		
27,055		Annual dinner surplus (Deficit)	-5,481	-5,481
		Total of other income		-5,481
27,055		Total income		1,036,359
1,114,237		Interfund Transfers IN		
	Expenditure			
651,897	Administrative expenses	Remuneration and expenses of staff	677,413	677,413
102,200		Occupancy costs	74,375	74,375
30,261		Printing, Stationery, Post	15,073	15,073
8,403		Telephones	7,917	7,917
89,845		Legal and Professional fees	90,255	90,255
		Miscellaneous (specify)		
51,296		Motor & Travel Expense	41,997	41,997
1,929		General Expenses	1,095	1,095
9,847		Subscriptions	11,163	11,163
		Total of Admin expenses		919,288
945,678				
2,468	Other Charges	Bank charges	3,209	3,209
		Depreciation		
		Sums written off		
		Affiliation fees		
		Donations		
		Conference and meeting fees		
		Expenses		
		Miscellaneous (specify)		
186,404		Change in pension actuarial estimate		
28,730		Unwinding of pension obligation	26,341	26,341
-132,018		Fair value changes	22,484	22,484
16,796		Loss/(Gain) on disposal of investments	10,192	10,192
102,380		Total of other charges		62,226
-52,754		Taxation	-8,151	-8,151
995,304		Total expenditure		973,363
		Interfund Transfers OUT		
118,933		Surplus/Deficit for year		62,996
		Amount of fund at beginning of year		1,626,645
		Amount of fund at end of year		1,689,641

Accounts other than 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		
	Interfund Transfers IN		
Expenditure	Administrative expenses		
	Other expenditure (specify)		
	Total Expenditure		
	Interfund Transfers OUT		
		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		
	Interfund Transfers IN		
Expenditure	Administrative expenses		
	Other expenditure (specify)		
	Total Expenditure		
	Interfund Transfers OUT		
		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 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	
	Interfund Transfers IN		
Expenditure	Administrative expenses		
	Other expenditure (specify)		
		Total Expenditure	
	Interfund Transfers OUT		
		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	
	Interfund Transfers IN		
Expenditure	Administrative expenses		
	Other expenditure (specify)		
		Total Expenditure	
	Interfund Transfers OUT		
		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 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	
	Interfund Transfers IN		
Expenditure	Administrative expenses		
	Other expenditure (specify)		
		Total Expenditure	
	Interfund Transfers OUT		
		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	
	Interfund Transfers IN		
Expenditure	Administrative expenses		
	Other expenditure (specify)		
		Total Expenditure	
	Interfund Transfers OUT		
		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 2020]

(see notes 19 and 20)

Previous Year		£	£
	Fixed Assets (as at Page 8)		
	Investments (as per analysis on page 9)		
1,468,035	Quoted (Market value £) as at Page 9		1,361,650
672,451	Unquoted (Market value £) as at Page 9		672,451
	Total Investments	2,034,101	2,034,101
	Other Assets		
47,565	Sundry debtors	40,858	40,858
276,819	Cash at bank and in hand	357,138	357,138
	Stocks of goods		
	Others (specify)		
	Total of other assets	397,996	397,996
324,384			
	Total Assets		2,432,097
1,626,645	Revenue Account/ General Fund	1,689,641	
	Revaluation Reserve		
7,500	Capital Reserve Fund	7,500	
1,619,145	Income & Expenditure	1,619,145	
	Liabilities		
	Tax payable	2,202	
1,779	Sundry creditors	5,849	
92,424	Accrued expenses	59,654	
744,022	Provisions	674,751	
	Total Liabilities		742,456
838,225			
2,464,870			
	Total Assets		2,432,097

Fixed Assets account

(see note 21)

	Land and Buildings	Fixtures & Fittings	Motor Vehicles & Equipment	Total £
Cost or Valuation				
At start of period			50,000	50,000
Additions during period				
Less: Disposals				
Less: Depreciation			-50,000	-50,000
Total to end of period				
Book Amount at end of period				
Freehold				
Leasehold (50 or more years unexpired)				
Leasehold (less than 50 years unexpired)				
Total of Fixed Assets				

Analysis of Investments

(see note 22)

Quoted		Other Funds
	British Government & British Government Guaranteed Securities	
	British Municipal and County Securities	
	Other quoted securities (to be specified)	
	Per attached Stockbrokers valuation list	1,361,650
	Total Quoted (as Balance Sheet)	1,361,650
	Market Value of Quoted Investments	
Unquoted	British Government Securities	
	British Municipal and County Securities	
	Mortgages	
	Other unquoted investments (to be specified)	
	100% Fyfe Chambers (First Floor) Ltd	672,451
	Total Unquoted (as Balance Sheet)	672,451
	Market Value of Unquoted Investments	

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

Summary Sheet

(see notes 24 to 33)

	All Funds	Total Funds
		£
Income		
From Members	1,005,511	1,005,511
From Investments	36,329	36,329
Other Income (including increases by revaluation of assets)	-5,481	-5,481
Total Income	1,036,359	1,036,359
Expenditure (including decreases by revaluation of assets)		
Total Expenditure	973,363	973,363
Funds at beginning of year (including reserves)	3,253,290	3,253,290
Funds at end of year (including reserves)	3,316,286	3,316,286
ASSETS		
Fixed Assets		
Investment Assets		2,034,101
Other Assets		397,996
Total Assets		2,432,097
Liabilities		
Total Liabilities		-884,189
Net Assets (Total Assets less Total Liabilities)		3,316,286

Summary Sheet

(see notes 24 to 33)

		All Funds	Total Funds
		£	£
Income			
	From Members		
	From Investments		
	Other Income (including increases by revaluation of assets)		
	Total Income		
Expenditure (including decreases by revaluation of assets)			
	Total Expenditure		
Funds at beginning of year (including reserves)			
Funds at end of year (including reserves)			
ASSETS			
	Fixed Assets		
	Investment Assets		
	Other Assets		
	Total Assets		
Liabilities			
	Total Liabilities		
Net Assets (Total Assets less Total Liabilities)			

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 & 36)





Signatures to the annual return

(see notes 37 and 38)

Including the accounts and balance sheet contained in the return.

Please copy and paste your electronic signature here

Secretary's Signature:		Chairman's Signature:	
			(or other official whose position should be stated)
Name:	Rebecca Rigg	Name:	Rodney Ayre
Date:	13 January 2021	Date:	13 January 2021

Checklist

(see note 39)

(please enter 'X' as appropriate)

Is the return of officers attached? (see Page 2)	Yes	X	No	
Has the list of officers been completed? (see Page 2A)	Yes	X	No	
Has the return been signed? (see Note 37)	Yes	X	No	
Has the auditor's report been completed? (see Note 41)	Yes	X	No	
Is the rule book enclosed? (see Note 39)	Yes	X	No	
Has the summary sheet been completed? (see Notes 6 and 24 to 33)	Yes	X	No	

Checklist for auditor's report

(see notes 41 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 sections 28, 32 and 36 of the Trade Union and Labour Relations (consolidation) Act 1992.

Auditor's report (continued)

John

Signature(s) of auditor or auditors:

W.D. & C.

Alastair C. Lamond

Name(s):

John Wallace

Alastair Lamond

Profession(s) or Calling(s):

Chartered Accountant

Company Director

Address(es)

William Duncan & Co
30 Miller Road
Ayr
KA7 2AY

Lamond & Murray Ltd
Burnside
Inverkeithing
Fife KY11 1HT

Date:

14 January 2021

29 January 2021

Contact name for enquiries and telephone number:

01292 265071

077200 37768

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

MEMBERS' REPRESENTATIVES REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2020

The members' representatives present their annual report and financial statements for the year ended 30 November 2020.

Auditor

The auditor, William Duncan + Co Ltd, is deemed to be reappointed as the association's auditors.

Statement of disclosure to auditor

So far as each person who was a members' representative at the date of approving this report is aware, there is no relevant audit information of which the association's auditors are unaware. Additionally, the members' representatives individually have taken all the necessary steps that they ought to have taken as members' representatives in order to make themselves aware of all relevant audit information and to establish that the association's auditors are aware of that information.

On behalf of the executive committee

Mr Paul Sheerin
Chief Executive
17 December 2020

Mr Rodney Ayre
President
17 December 2020

SCOTTISH ENGINEERING

MEMBERS' REPRESENTATIVES RESPONSIBILITIES REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2020

The members' representatives are responsible for preparing the Annual Report and the financial statements in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992, hereafter referred to as applicable law.

The members' representatives are required to prepare financial statements for each financial year. The members' representatives have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The members' representatives must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the profit or loss of the association for that period. In preparing these financial statements, the members' representatives are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The members' representatives are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the applicable law and regulations. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2020 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 2020 and of its profit 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.
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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.

for and on behalf of William Duncan + Co Ltd
Chartered Accountants
Statutory Auditor

17 December 2020

30 Miller Road
Ayr
Ayrshire
KA7 2AY

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

17 December 2020

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2020

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
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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 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 Cash at bank and in hand

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.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2020

1 Accounting policies

(Continued)

1.6 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.

1.7 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.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2020

1 Accounting policies

(Continued)

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.

1.8 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.

1.9 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.

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.

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

1 Accounting policies

(Continued)

1.10 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leases asset are consumed.

2 Employees

The average monthly number of persons employed by the association during the year was 13 (2019 - 13).

3 Other gains/(losses)

	2020	2019
	£	£
Fair value gains/(losses)		
Change in the value of financial liabilities held at fair value through profit or loss	(22,484)	132,018

4 Taxation

	2020	2019
	£	£
Current tax		
UK corporation tax on profits for the current period	2,202	-
Adjustments in respect of prior periods	(21)	(4,148)
Total current tax	2,181	(4,148)
Deferred tax		
Origination and reversal of timing differences	(10,332)	(48,606)
Total tax credit	(8,151)	(52,754)

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

5 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 December 2019 and 30 November 2020	50,000
Depreciation and impairment	
At 1 December 2019 and 30 November 2020	50,000
Carrying amount	
At 30 November 2020	-
At 30 November 2019	-

6 Fixed asset investments

	2020 £	2019 £
Investments	2,034,101	2,140,486

Movements in fixed asset investments

	Shares in group undertakings £	Other investments other than loans £	Total £
Cost or valuation			
At 1 December 2019	672,451	1,468,035	2,140,486
Additions	-	65,562	65,562
Valuation changes	-	(21,951)	(21,951)
Disposals	-	(149,996)	(149,996)
At 30 November 2020	672,451	1,361,650	2,034,101
Carrying amount			
At 30 November 2020	672,451	1,361,650	2,034,101
At 30 November 2019	672,451	1,468,035	2,140,486

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

7 Debtors		2020	2019
		£	£
Amounts falling due within one year:			
Trade debtors		10,281	13,569
Corporation tax recoverable		-	4,148
Other debtors		300	103
Prepayments and accrued income		30,277	29,745
		<u>40,858</u>	<u>47,565</u>
		<u><u>40,858</u></u>	<u><u>47,565</u></u>
8 Creditors: amounts falling due within one year		2020	2019
		£	£
Corporation tax		2,202	-
Other taxation and social security		4,070	-
Other creditors		1,779	1,779
Accruals and deferred income		59,654	92,424
		<u>67,705</u>	<u>94,203</u>
		<u><u>67,705</u></u>	<u><u>94,203</u></u>
9 Provisions for liabilities		2020	2019
		£	£
Deferred tax liabilities		118,016	128,348
Retirement benefit obligations	10	556,735	615,674
		<u>674,751</u>	<u>744,022</u>
		<u><u>674,751</u></u>	<u><u>744,022</u></u>
10 Retirement benefit schemes		2020	2019
		£	£
Defined contribution schemes			
Charge to profit or loss in respect of defined contribution schemes		42,701	48,208
		<u>42,701</u>	<u>48,208</u>
		<u><u>42,701</u></u>	<u><u>48,208</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 2020

10 Retirement benefit schemes

(Continued)

Defined benefit schemes

A full actuarial valuation for the scheme was carried out at 31 March 2017 which showed a deficit of £29m. To eliminate this deficit, the Trustees have asked the participating employers to pay additional contributions to the scheme of £2.5m per annum until April 2021, then an additional £3.6m per annum until April 22 and an additional £4.07m until the end date of 31 December 2025.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities. Scottish Engineering's share of the scheme liabilities is 3.24%.

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>	2020 %	2019 %
Discount rate	4.25	4.25
	<u> </u>	<u> </u>
<i>Amounts recognised in the profit and loss account</i>	2020 £	2019 £
Net interest on defined benefit liability/(asset)	26,341	28,730
Other costs and income	-	186,404
	<u> </u>	<u> </u>
Total costs	26,341	215,134
	<u> </u>	<u> </u>

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

	2020 £	2019 £
Present value of defined benefit obligations	556,735	615,674
	<u> </u>	<u> </u>
Deficit in scheme	556,735	615,674
	<u> </u>	<u> </u>

<i>Movements in the present value of defined benefit obligations</i>	2020 £
Liabilities at 1 December 2019	615,674
Benefits paid	(85,280)
Interest cost	26,341
	<u> </u>
At 30 November 2020	556,735
	<u> </u>

SCOTTISH ENGINEERING

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2020

10 Retirement benefit schemes

(Continued)

The actual return on plan assets was £- (2019 - £-).

11 Profit and loss reserves

	2020	2019
	£	£
At the beginning of the year	1,619,145	1,500,212
Profit for the year	62,996	118,933
At the end of the year	<u>1,682,141</u>	<u>1,619,145</u>

12 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:

2020	2019
£	£
<u>50,113</u>	<u>38,784</u>

13 Covid-19

At the date on which the financial statements were approved, the financial implications arising from the Coronavirus (Covid-19) outbreak, which has affected the UK, are uncertain. The organisation has benefitted from financial assistance provided by the UK government. The members are reviewing forecasts for an anticipated change in the company's operational activities in the short term. The members are of the opinion that the company remains a going concern.